

16 CHARLOTTE STREET
CHARLESTON, SC 29403

PO DRAWER 22247
CHARLESTON, SC 29413-2247

PHONE: 843.727.2200
FAX: 843.727.2238

WWW.P-TW.COM

E-MAIL: gtw@p-tw.com
DIRECT DIAL: 843.727.2208
DIRECT FAX: 843.805.6533

June 20, 2011

CERTIFIED MAIL/RETURN RECEIPT REQUESTED

Jocelyn Boyd
Chief Clerk and Administrator
South Carolina Public Service Commission
P.O. Drawer 11649
Columbia, SC 29211

Re: Kiawah Island Utility, Inc.
Our File No.: 5435-007

Dear Ms. Boyd:

Please find enclosed the original and two copies of the Rate Application of Kiawah Island Utility, Inc. seeking an adjustment of the rates for its water and sewer services in accordance with S.C. Reg. §§ 103-512.4 and 103-712.4.

We look forward to working with the PSC and ORS in this proceeding. With kind regards, I am,

Sincerely,

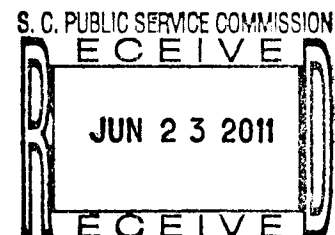
PRATT-THOMAS WALKER, P.A.



G. Trenholm Walker

GTWyye

c: F. David Butler, Esq.
C. Duke Scott, Executive Director (ORS)
Jeffrey M. Nelson, Esq. (ORS)
Shealy Boland Reibold, Esq. (ORS)
Becky Dennis
John F. Guastella
Steve Heyboer
Townsend Clarkson (No enclosure)
Leonard L. Long, Jr., Esq. (No enclosure)



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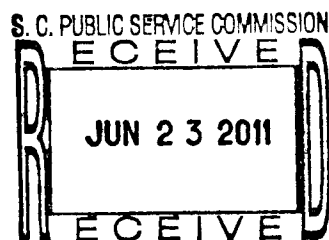
2011-90 w/s

E. DOUGLAS PRATT-THOMAS
G. TRENHOLM WALKER
W. ANDREW GOWDER, JR.
JON L. AUSTEN
LINDSAY K. SMITH-YANCEY (SC, NC)
CLAYTON B. McCULLOUGH
THOMAS H. HESSE (SC, GA)
IAN W. FREEMAN (SC, CA)
FRANCIS M. ERVIN II (SC, MA)
DANIEL S. McQUEENEY, JR.
JAMIE A. KHAN
KATHLEEN FOWLER MONOC

BEFORE THE SOUTH CAROLINA PUBLIC SERVICE
COMMISSION

ORIGINAL

KIAWAH ISLAND UTILITY, INC.
APPLICATION FOR ADJUSTMENT OF RATES
(WATER AND WASTEWATER)



JUNE 20, 2011

Overview and Justification

Kiawah Island Utility, Inc. (the Utility) was established in 1976 to provide water and sewer service to what would become the residential resort community located on Kiawah Island. The Utility served 3,768 water and 3,234 sewer customers as of year end 2010. The Utility's average daily demand during the test year was approximately 2.473 million gallons per day (mgd) for potable water, and an additional .805 mgd of combined effluent and well water to supplement golf course irrigation demands. The systems had a maximum day water demand of 4.567 mgd. The average daily sewer flow during the test year was 0.722 mgd with a maximum flow of 1.208 mgd.

The Utility purchases all of its potable water from the St. Johns Water Company. The contractual agreement provides the Utility with 3.6 million gallons per day. During non-peak periods, the Utility stores excess purchased water in two Aquifer storage and Recovery (ASR) systems to help offset peak demands.

This application utilizes a test year ended 12/31/2010 with "known and measurable" projections through 12/31/2011.

The schedule of Proposed Rates and Charges (appendix B) sets forth the particular adjustments sought by the Utility. In addition to the increase in the amount of certain rates and charges; the Utility is proposing slight modifications to several of the miscellaneous charges of the Schedule.

1. Statement of reason justifying the need for proposed rate adjustment

Since the Company's last rate application in 2001, it has made significant additional investments in utility plant and facilities, and has experienced substantial increases in operating expenses. The net investment in utility plant and facilities has increased by \$5.1 million, and another \$5.5 million is anticipated for a supply main that is necessary to assure a reliable source of water. These capital investments are over 100% greater than the net investment reflected in the last rate filing.

Over the 10 year period since the last rate application, Operating Expenses have increased over 50%; Taxes-Other Than Income Taxes have increased nearly 100%; Depreciation has increased about 60%, Purchased Water has increased over 50%; Purchased Power has increased nearly 90%; and wages and benefits have increased about 37%.

The annual average increase for these capital expenditures and operating expenses ranges from 3.2% to 7.1% per year. While increases in revenues due to customer growth and pass-through water rate increases linked to Purchased Water increases have partially offset these many cost increases, the proposed rate adjustment, which is only about 2% on an average annual basis, is necessary to cover the cost of operations and provide a reasonable return on the investment in plant and facilities, and it is particularly essential at this time in order to attract capital at the lowest cost for financing the new water supply interconnection to the St. John's Water Company.

2. The most current income and expense statement for the preceding twelve months and test year are current and on file with the Commission and/or ORS. Also see schedule A-2, W-C, and S-C.
3. The proposed rate schedule is shown as appendix "B".
4. The historical test year is 12/31/2010 with adjustments for "Known and Measurable" changes through 12/31/2011.
5. Pro-forma income and expense statement using proposed rates applied to proposed test year are shown on Schedules A-5, W-C, and S-C of the application.
6. The most current balance sheet for the preceding twelve months and test year are current and on file with the Commission and/or ORS. Also shown on schedule A-1.
7. Depreciation schedule by categories of plant and average services lives is current and on file with the Commission and/or ORS. Also shown on schedules W.C-3 and S-C.3.
8. Number of present and expected customers in the following twelve months is shown in Appendix "C" as well as on W-E, W-E.1, S-E, and S-E.1.
9. Cost justification for proposed rates and charges, including tap fees; with the attached schedules depicting labor, materials and miscellaneous costs are found in Appendix "D".
10. Performance bonds, in accordance with 26 S.C. Code regulation 103-512.3 and / or 712.3 are current and on file with the Commission and/or ORS.
11. The most current letter from the Department of Health and Environmental Control (DHEC) is found in Appendix "E"
12. The current customer bill form is found in Appendix "F".
13. The current and up to date map of the service area is on file with the Commission and/or ORS.
14. A statement of total plant investments by categories is found in Appendix "G".
15. All PSC annual reports, in accordance with R 103.512.3 and 103.712.1 are current and on file with the Commission and/or ORS

The basis for the financial adjustments requested is set forth in the schedules hereto and will be further explained in the pre-filed testimony.

ATTACHMENTS

Schedules in Support of a Rate Increase (A-1 through S-F.2)

<u>Appendices</u>	<u>Title or Description</u>
Appendix A	Schedule of Current Rates and Charges
Appendix B	Schedule of Proposed Rates and Charges
Appendix C	Present and Expected Customers
Appendix D	Tap Fee Calculation
Appendix E	DHEC Approval Letter
Appendix F	Customer Bill Form
Appendix G	Total Plant Investments

**Kiawah Island Utility, Inc.
Water and Wastewater Systems**

**Schedules in Support
of a
Rate Increase**

Based on Historical Test Year 12/31/10

With Adjustments for Known and Measurable Changes Through 12/31/11

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Kiawah Island Utility, Inc.
Water and Wastewater Systems
Comparative Balance Sheets

<u>Assets</u>	<u>12/31/2006</u>	<u>12/31/2007</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>
Utility Plant					
Accumulated Depreciation	\$30,758,625	\$30,802,313	\$32,172,666	\$34,049,155	\$36,074,764
Construction in Progress	(10,758,875)	(11,489,217)	(12,241,394)	(12,983,073)	(13,729,879)
	0	14,090	0	0	2,709
Cash	759,690	1,451,792	816,032	1,310,991	1,072,961
Accounts Receivable	147,917	228,983	201,919	176,831	317,416
Provision for Uncollectibles	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)
Accrued Revenue	216,022	184,754	198,070	192,804	162,140
Prepayments	290,104	222,109	238,088	392,167	335,588
Unamortized Debt Discount	28,566	19,777	10,987	47,030	40,813
Misc. Accrued Assets	300	300	300	300	300
Deferred Tax Benefits	0	0	0	0	292,137
Total Assets	<u>\$21,438,849</u>	<u>\$21,431,401</u>	<u>\$21,393,168</u>	<u>\$23,182,705</u>	<u>\$24,565,448</u>
<u>Liabilities & Equity</u>					
Common Stock	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Paid in Capital	6,583,143	6,583,143	6,538,143	6,538,143	6,538,143
Retained Earnings	(1,127,913)	(646,723)	(128,611)	89,422	(325,285)
Accounts Payable	208,503	195,067	168,174	180,648	149,534
Income Tax Payable	0	0	0	0	82,074
Accrued Interest	35,326	32,780	20,577	9,586	9,086
Misc. Accrued Liabilities	53,884	50,954	46,649	45,803	48,830
Notes Payable	5,997,323	5,811,999	5,628,457	7,483,728	8,348,178
Deferred Interest Obligation	0	0	0	0	254,499
Deferred Income Tax Liability	0	0	0	0	909,413
Contributions in Aid of Constr., Net	8,688,583	8,404,181	8,119,779	7,835,375	7,550,975
Total Liabilities & Equity	<u>\$21,438,849</u>	<u>\$21,431,401</u>	<u>\$21,393,168</u>	<u>\$23,182,705</u>	<u>\$24,565,448</u>

Kiawah Island Utility, Inc.
Water and Wastewater Systems
Comparative Income Statements for 12 Months Ended

	Water				Sewer			
	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2007	12/31/2008	12/31/2009	12/31/2010
Revenues:								
Residential	\$2,395,060	\$2,422,431	\$2,399,390	\$2,446,389	\$1,039,997	\$1,081,997	\$1,101,958	\$1,117,669
Commercial	266,621	265,114	256,662	259,605	144,303	141,142	137,767	140,274
Hotel & Golf Course	120,078	110,932	105,062	406,113	221,361	218,683	213,385	219,645
Irrigation	1,198,711	1,168,953	1,057,419	943,736	0	0	0	0
Fire Protection Service	59,333	47,975	50,413	49,260	0	0	0	0
Other Revenue	207,746	79,324	84,199	56,738	67,380	43,887	31,739	20,500
Total Operating Revenue	4,247,549	4,094,729	3,953,145	4,161,841	1,473,041	1,485,709	1,484,849	1,498,088
Expenses:								
O&M Expense	3,323,287	3,269,158	3,101,915	3,202,875	836,108	738,972	687,853	700,932
Depreciation	266,276	267,867	260,487	262,471	198,233	199,908	196,788	199,936
Amortization	8,790	8,790	22,249	15,005	0	0	0	10,397
Taxes, Other	111,579	117,714	191,604	173,713	77,327	81,581	132,788	120,367
Income Tax	58,874	42,581	3,487	66,834	38,907	58,901	29,555	75,518
Total Operating Expense	3,768,806	3,706,110	3,579,742	3,720,899	1,150,575	1,079,362	1,046,984	1,107,149
Net Operating Income	478,743	388,619	373,403	440,942	322,466	406,347	437,865	390,939
Other Income	19,748	6,709	889	0	13,685	4,650	616	0
Interest Expense	(208,765)	(196,815)	(351,285)	(245,596)	(144,682)	(136,400)	(243,454)	(170,207)
Other Expenses	0	0	0	0	0	0	0	0
Net Income	\$289,726	\$198,513	\$23,007	\$195,346	\$191,469	\$274,597	\$195,027	\$220,732

**Kiawah Island Utility, Inc.
Water and Wastewater Systems**

Capital Structure and Rate of Return

	<u>Capital</u>	<u>Ratio</u>	<u>Utility Rate Base</u>	<u>Embedded Cost Rate</u>	<u>Weighted Cost</u>	<u>Return</u>
Debt	\$8,348,178	53.65%	\$11,103,306	5.4500%	2.920%	\$604,341
Equity	<u>7,212,858</u>	<u>46.35%</u>	<u>9,593,300</u>	<u>10.3500%</u>	<u>4.800%</u>	<u>993,437</u>
	<u>\$15,561,036</u>	<u>100.0%</u>	<u>\$20,696,606</u>		<u>7.720%</u>	<u>\$1,597,778</u>

Calculation of Operating Margin (PSC Method)

Revenue Requirement	\$7,224,879
Equity Return	993,437
Operating Margin	13.75%

Kiawah Island Utility, Inc.
Water and Wastewater Systems

Operating Margin Analysis

NAWC 2008 Financial Summary for Investor-Owned Water Utilities
Economic Research Program

	All Companies	Sub Group South Region	KIU Water/Sewer Systems
Total Companies Surveyed	31	4	
Average Number of Employees	188	106	14
Average Payroll Expense	\$12,318,428	\$5,541,534	\$604,750
Average Payroll / Employee	\$65,524	\$52,279	\$43,196
Average O&M Expenses	\$40,950,049	\$15,211,291	\$3,903,807
Payroll to Total O&M Expense	30.1%	36.4%	15.5%
Average Operating Expenses	\$65,781,443	\$23,683,554	\$4,831,461
Payroll to Operating Expenses	18.7%	23.4%	12.5%
 Average Equity Cost Rate	 10.070%	 9.830%	 10.350%
Average Equity Ratio	47.25%	47.23%	46.35%
 Average Operating Revenues	 \$82,955,587	 \$29,340,537	 \$7,224,879
Average Net Income	\$10,779,270	\$4,152,276	\$993,437
Operating Margin-Average	12.99%	14.15%	13.75%

Note: South Region includes the following States: ARK, LA, KY, TX

Kiawah Island Utility, Inc.
Water and Wastewater Systems
Combined Water & Sewer Operating Statement

12/31/2011

	Year-End 12/31/2010	Test Year Adjustments	Pro Forma Adjustments	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
Operating Revenue:						
Residential	\$3,564,058		\$108,155	\$3,672,213	\$910,673	\$4,582,886
Commercial	399,880		5,814	405,694	98,850	504,544
Hotel	116,352		1,367	117,720	26,858	144,578
Golf Course	509,406		(9,220)	500,186	122,183	622,369
Irrigation	943,736		37,627	981,363	292,779	1,274,142
Fire Service	49,260		(2,022)	47,238	14,000	61,238
Tap-In Revenue	47,250	(\$47,250)	0	0	0	0
DHEC Recoupment Fees	9,889		0	9,889	0	9,889
Misc. Other Revenue	20,098		324	20,423	4,845	25,268
Total Revenues	5,659,929		142,046	5,754,725	1,470,189	7,224,914
Operating Expense:						
O & M Expenses	3,903,807	(47,250)	149,797	4,006,354	426	4,006,780
Depreciation	462,407		117,952	580,359	0	580,359
Amortization	25,402		46,485	71,887	0	71,887
Gross Receipts Tax	21,524		15,653	37,177	9,498	46,675
Property Taxes	227,654		56,232	283,886	0	283,886
Payroll Taxes	44,902		1,620	46,523	0	46,523
State and Federal Income Taxes	145,765		(49,375)	96,390	494,602	590,992
Total Operating Expenses	4,831,461		338,365	5,122,576	504,525	5,627,101
Net Operating Income	\$828,468			\$632,149		\$1,597,813
Rate Base	\$15,278,688			\$20,696,606		\$20,696,606
Rate of Return	5.42%			3.05%		7.72%
					Interest	\$604,341
					Operating Margin	13.75%
					Revenue Increase	25.5%

**Kiawah Island Utility, Inc.
Water and Wastewater Systems**

Water Rate Base Calculation

	<u>12/31/2010</u>	<u>Pro Forma Adjustment</u>	<u>Pro Forma 12/31/2011</u>
Plant in Service	\$13,800,426	\$5,599,209	\$19,399,635
Accumulated Depreciation	(5,102,169)	(366,069)	(5,468,238)
CWIP	<u>0</u>	<u>0</u>	<u>0</u>
Net Plant	8,698,257	5,233,140	13,931,397
Working Capital (1/8th O&M)	397,016	16,219	413,235
Unamortized Bal. of Rate Case Exp.		74,725	74,725
Unamortized Bal. of Extraordinary Exp.	<u> </u>	<u>24,603</u>	<u>24,603</u>
Rate Base	<u>\$9,095,273</u>	<u>\$5,348,687</u>	<u>\$14,443,959</u>

Kiawah Island Utility, Inc.
Water and Wastewater Systems
Adjustments to Pro Forma Rate Base-Water Operations

a) Adjust plant in service to include pro forma capital project costs.		
Additions to Equipment/Shop Bldg	10,000	
Transmission System Improvements	70,000	
Truck Purchase	12,500	
Truck Retirement	(8,542)	
SCADA System	8,000	
Computer Purchases	2,500	
T&D Equipment Purchases	4,750	
Supply Line to St Johns Water.	<u>5,500,000</u>	
Adjustment		<u>\$ 5,599,209</u>
b) Adjust accumulated depreciation to reflect pro forma annual depreciation.		
Depreciation Expense of Test Year Plant	258,868	
Additions to Equipment/Shop Bldg	333	
Transmission System Improvements	1,533	
Truck Purchase	2,500	
Truck Retirement	(8,542)	
SCADA System	400	
Computer Purchases	500	
T&D Equipment Purchases	475	
Supply Line to St Johns Water.	<u>110,000</u>	
Adjustment		<u>\$ 366,069</u>
c) Adjust working capital allowance for changes to O&M expenses.		
Total Adjustments	129,751	
Allowance	<u>12.50%</u>	
Adjustment		<u>\$ 16,219</u>
d) Adjustment to reflect the average unamortized balance of rate case expense.		
Rate Case Costs	85,400	
Amortization Period (yrs)	<u>4</u>	
Average Rate-Year Balance	<u>74,725</u>	
Adjustment		<u>\$ 74,725</u>
e) Adjustment to reflect the average unamortized balance of extraordinary repair and maintenance expenses (abnormal storm repairs).		
Project Costs - Lightning Damage	26,495	
Amortization Period (yrs)	<u>7</u>	
Average Rate-Year Balance	<u>24,603</u>	
Adjustment		<u>\$ 24,603</u>

Kiawah Island Utility, Inc.
Water and Wastewater Systems

Water Utility Plant in Service

		Test Year 12/31/2010	Pro Forma Additions	Pro Forma Retirement	Pro Forma 12/31/2011
302.1	Franchises - Water Rights	\$1,921,989	\$0		\$1,921,989
339.1	Intangible Plant - Other	274,810	0		274,810
303.2	Land & Land Rights	3,468,252	0		3,468,252
304.2	Structures & Improvements	2,717,773	20,000		2,737,773
307.2	Wells & Springs	34,338	0		34,338
311.2	Pumping Equipment	938,415	0		938,415
330.4	Distribution Storage	1,239,939	40,000		1,279,939
331.4	T&D Mains	2,231,482	5,520,000		7,751,482
334.4	Meters	100,537	0		100,537
335.4	Hydrants	229,333	0		229,333
339.4	Other Equipment	410,751	12,750		423,501
340.5	Office Furniture & Fixtures	121,001	2,500		123,501
341.5	Transportation Equipment	111,807	12,500	(8,542)	115,765
	Total Water Plant	<u>\$13,800,426</u>	<u>\$5,607,750</u>	<u>(\$8,542)</u>	<u>\$19,399,635</u>

Kiawah Island Utility, Inc.
Water and Wastewater Systems

Water Accumulated Depreciation

		Test Year 12/31/2010	Pro Forma Expense	Pro Forma Retirement	Pro Forma 12/31/2011
302.1	Franchises - Water Rights	\$1,217,116	\$47,847		\$1,264,963
339.1	Intangible Plant - Other	156,769	5,730		162,499
303.2	Land & Land Rights	0	0		0
304.2	Structures & Improvements	1,342,488	74,732		1,417,220
307.2	Wells & Springs	7,562	687		8,249
311.2	Pumping Equipment	451,541	23,895		475,436
330.4	Distribution Storage	216,293	25,599		241,892
331.4	T&D Mains	1,018,192	157,533		1,175,725
334.4	Meters	62,787	2,011		64,797
335.4	Hydrants	114,811	5,096		119,907
339.4	Other Equipment	309,423	14,695		324,118
340.5	Office Furniture & Fixtures	106,323	4,848		111,170
341.5	Transportation Equipment	98,866	11,938	(8,542)	102,262
	Total Water Plant	<u>\$5,102,169</u>	<u>\$374,610</u>	<u>(8,542)</u>	<u>\$5,468,238</u>

**Kiawah Island Utility, Inc.
Water and Wastewater Systems**

Water Operating Statement

	12/31/2011					
	Year-End 12/31/2010	Test Year Adjustments	Pro Forma Adjustments	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
Operating Revenue:						
Residential	\$2,446,389		\$79,768 (1a)	\$2,526,157	\$750,446 (1b)	\$3,276,604
Commercial	259,605		5,928 (1c)	265,533	79,140 (1d)	344,673
Hotel	64,637		1,008 (1e)	65,646	19,539 (1f)	85,185
Golf Course	341,476		(8,685) (1g)	332,791	99,417 (1h)	432,208
Irrigation	943,736		37,627 (1i)	981,363	292,779 (1j)	1,274,142
Fire Service	49,260		(2,022) (1k)	47,238	14,000 (1l)	61,238
Tap-In Revenue	26,750	(26,750)		0		0
DHEC Recoupment Fees	9,889			9,889		9,889
Misc. Other Revenue	12,428		260 (1m)	12,688	3,767 (1n)	16,455
Total Revenues	4,154,171	(26,750)	113,885	4,241,306	1,259,089	5,500,395
Operating Expense:						
O & M Expenses	3,202,875	(26,750)	129,751 (2)	3,305,876	364 (9)	3,306,240
Depreciation	262,471		112,139 (3)	374,610		374,610
Amortization	15,005		25,135 (4)	40,140		40,140
Gross Receipts Tax	12,714		14,686 (5)	27,400	8,134 (10)	35,534
Property Taxes	134,475		54,560 (6)	189,035		189,035
Payroll Taxes	26,524		819 (7)	27,342		27,342
State and Federal Income Taxes	68,437		(68,437) (8)	0	412,447 (11)	412,447
Total Operating Expenses	3,722,501	(26,750)	268,653	3,964,404	420,946	4,385,350
Net Operating Income	\$431,669			\$276,901		\$1,115,045
Rate Base	\$9,095,273			\$14,443,959		\$14,443,959
Rate of Return	4.75%			1.92%		7.72%
					Interest	421,764
					Operating Margin	12.60%
					Revenue Increase	29.7%

Kiawah Island Utility, Inc.
Adjustments to Operating Statement (Water)

1) <u>Revenue Adjustments</u> NOTE: Tap Fees are eliminated with an equal reduction to O&M expenses.		
a) Adjust residential revenue to reflect the pro forma number of customers at present rates.		
Residential Revenue Per Schedule E.1	2,526,157	
Less: Residential Revenue - Test Year	2,446,389	
Adjustment		<u>79,768</u>
b) Adjust residential revenue to reflect the pro forma number of customers at proposed rates.		
Residential Revenue Per Schedule E.2	3,276,604	
Less: Residential Revenue Per Schedule E.1	2,526,157	
Adjustment		<u>750,446</u>
c) Adjust commercial revenue to reflect the pro forma number of customers at present rates.		
Commercial Revenue Per Schedule E.1	265,533	
Less: Commercial Revenue - Test Year	259,605	
Adjustment		<u>5,928</u>
d) Adjust commercial revenue to reflect the pro forma number of customers at proposed rates.		
Commercial Revenue Per Schedule E.2	344,673	
Less: Commercial Revenue Per Schedule E.1	265,533	
Adjustment		<u>79,140</u>
e) Adjust hotel revenue to reflect the pro forma number of customers at present rates.		
Hotel Revenue Per Schedule E.1	65,646	
Less: Hotel Revenue - Test Year	64,637	
Adjustment		<u>1,008</u>
f) Adjust hotel revenue to reflect the pro forma number of customers at proposed rates.		
Hotel Revenue Per Schedule E.2	85,185	
Less: Hotel Revenue Per Schedule E.1	65,646	
Adjustment		<u>19,539</u>
g) Adjust golf course revenue to reflect the pro forma number of customers at present rates.		
Golf Course Revenue Per Schedule E.1	332,791	
Less: Golf Course Revenue - Test Year	341,476	
Adjustment		<u>(8,685)</u>
h) Adjust golf course revenue to reflect the pro forma number of customers at proposed rates.		
Golf Course Revenue Per Schedule E.2	432,208	
Less: Golf Course Revenue Per Schedule E.1	332,791	
Adjustment		<u>99,417</u>
i) Adjust irrigation revenue to reflect the pro forma demand at present rates.		
Irrigation Revenue Per Schedule E.1	981,363	
Less: Irrigation Revenue - Test Year	943,736	
Adjustment		<u>37,627</u>
j) Adjust irrigation revenue to reflect the pro forma demand at proposed rates.		
Irrigation Revenue Per Schedule E.2	1,274,142	
Less: Irrigation Revenue Per Schedule E.1	981,363	
Adjustment		<u>292,779</u>
k) Adjust fire service revenue to reflect the pro forma number of customers at present rates.		
Public Fire Revenue Per Schedule E.1	44,400	
Private Fire Revenue Per Schedule E.1	2,838	
Less: Fire Service Revenue - Test Year	49,260	
Adjustment		<u>(2,022)</u>
l) Adjust fire service revenue to reflect the pro forma number of customers at proposed rates.		
Public Fire Revenue Per Schedule E.2	57,720	
Private Fire Revenue Per Schedule E.2	3,518	
Less: Public Fire Revenue Per Schedule E.1	44,400	
Less: Private Fire Revenue Per Schedule E.1	2,838	
Adjustment		<u>14,000</u>
m) Adjust miscellaneous revenues to reflect percentage of pro forma total revenue at present rates relative to test year total revenue.		
Other Revenue Per Schedule E.1	12,688	
Less: Other Revenue - Test Year	12,428	
Adjustment		<u>260</u>
n) Adjust miscellaneous revenues to reflect percentage of pro forma total revenue at proposed rates relative to pro forma total revenue at present rates.		
Other Revenue Per Schedule E.2	16,455	
Less: Other Revenue Per Schedule E.1	12,688	
Adjustment		<u>3,767</u>

Kiawah Island Utility, Inc.
Adjustments to Operating Statement (Water)

2) O&M Expense Adjustments

- a) Adjust purchased water costs to reflect annualized system demand at the current rate charged by St. John's Water Company.

	Test Year	Projected	Cost	
Water Billed (tg)	852,589	861,181		
Water Purchased (tg)	946,498	956,037		
Percent Purchased	111.01%	111.01%		
Rate per tg		\$2.393		
Purchased Water x Rate			2,287,793	
Maintenance Fees (based on current chg)			149,165	
Less: Test Year Costs			<u>2,310,862</u>	
Adjustment				<u>126,096</u>

- b) Increase the level of purchased power and chemical costs for increased system demand.

	Test Year	Demand Increase	Pro Forma	
Power	127,484	0.895%	128,625	
Chemicals	<u>4,361</u>	0.895%	<u>4,400</u>	
	131,845		133,025	
Adjustment				<u>1,180</u>

- c) Reduce Source expense for "abnormal storm (lightning) repair" that occurred in test year and adjust the balance of materials and supplies to reflect inflationary price increase.

	Test Year	Adjustment	Expense	Increase	Pro Forma	
Source	72,132	(26,495)	45,637	2.000%	46,550	
Treatment	8,590		8,590	2.000%	8,762	
T&D	48,667		48,667	2.000%	49,640	
Customer	7,051		7,051	2.000%	7,192	
A&G	<u>15,288</u>		<u>15,288</u>	2.000%	<u>15,594</u>	
	151,728		125,233		127,738	
Adjustment						<u>-23,990</u>

- d) Increase the level of wages for new hires and an annual cost of living wage increase.

Pro Forma Wages with Full Compliment of Employees	353,014	
Annual Increase	<u>2.50%</u>	
Pro forma Wages	361,840	
Less: Test Year Costs	<u>346,867</u>	
Adjustment		<u>14,972</u>

- e) Adjust labor related costs (employee benefits and workmans compensation) relative to pro forma wages based on test year percentages.

	Test Year	Increase	Pro Forma	
Wages	346,867	4.32%	361,840	
Percent of Benefits to Wages	7.415%		7.415%	
Employee Benefits	25,720	4.32%	26,830	
Percent of Workmans Comp to Wages	0.928%		0.928%	
Workmans Comp	<u>3,219</u>	4.32%	<u>3,358</u>	
Labor Related Costs	28,939		30,188	
Adjustment				<u>1,249</u>

- f) Adjust Contract Services (Engineering and Legal) that vary year-to-year to reflect 2006-2010 average cost.

	Test Year	Avg Cost	
Engineering C/S	11,595	7,857	
Legal C/S	<u>142</u>	<u>6,427</u>	
Annual Cost	11,737	14,284	
Adjustment			<u>2,547</u>

- g) Adjust transportation costs relative to the change in gasoline prices.

	Test Year	Factor	Pro Forma	
Transportation	18,278	1.297	23,712	
Adjustment				<u>5,434</u>

- h) Adjust bad debt expense to reflect .03% of pro forma revenue under present rates.

Bad debt at .03% of Metered Revenues	1,225	
Less: Test Year Costs	<u>677</u>	
Adjustment		<u>548</u>

- i) Adjust insurance costs to reflect the annualized current premiums.

Annualized Premiums	55,541	
Less: Test Year Costs	<u>53,826</u>	
Adjustment		<u>1,715</u>

Kiawah Island Utility, Inc.
Adjustments to Operating Statement (Water)

Schedule W-C.1

3) Depreciation Expense Adjustment

a) Adjustment to reflect the annual depreciation for pro forma plant in service.			
Pro Forma Depreciation Expense		374,610	
Test period Depreciation Expense		262,471	
Adjustment			<u>112,139</u>

4) Amortization Expense Adjustment

- a) Adjustment to reflect the amortization of rate case expense and extraordinary repair and maintenance expenses (see expense reduction in adjustment 2c, above).

	Rate Case	Lightning Repairs	
Total Project Cost	85,400	26,495	
Amortization period (years)	4	7	
Annual amortization	<u>21,350</u>	<u>3,785</u>	<u>25,135</u>

5) Gross Receipt Tax Adjustment

- a) Adjustment to reflect the gross receipt taxes on pro forma revenue under present rates.

Revenue		4,241,306	
Revenue Tax Rate		0.64603%	
		<u>27,400</u>	
Less: Test Year Revenue Tax		<u>12,714</u>	
Adjustment			<u>14,686</u>

6) Property Tax Adjustment

- a) Adjustment to reflect property taxes relative to Plant additions.

	Test Year	Factor	Pro Forma	
Plant Costs	13,800,426	1.405727216	19,399,635	
Property Tax	134,475	1.405727216	189,035	
Adjustment				<u>54,560</u>

7) Payroll Tax Adjustment

- a) Increase the level of payroll taxes to reflect pro forma wages.

	Test Year	Pro Forma	
Wages	346,867	357,418	
	7.65%	7.65%	
Payroll Tax	26,524	27,342	
Adjustment			<u>819</u>

8) Income Tax Adjustment

- a) Adjustment to reflect State and Federal Income Taxes.

Revenue	4,241,306		
O&M Expense	(3,305,876)		
Depreciation	(374,610)		
Amortization	(40,140)		
Taxes - Other	(243,778)		
Interest Expense	<u>(421,764)</u>		
State Taxable Income	(144,863)		
State Income Tax Rate		5.000%	
SIT			0
Federal Taxable Income	<u>(144,863)</u>		
Federal Income Tax Rate		50.563%	
FIT			0
Pro Forma Income Tax			<u>0</u>
Test Period Income Tax			<u>68,437</u>
Adjustment			<u>(68,437)</u>

Kiawah Island Utility, Inc.
Adjustments to Operating Statement (Water)

Schedule W-C.1

9) Bad Debt at Proposed Rates Adjustment

a) Adjust bad debt expense to reflect impact of rate increase.

Pro forma Bad Debt at Present Rates	1,225	
Rate Increase Percentage	29.7%	
Adjustment		<u>364</u>

10) Gross Receipt Tax at Proposed Rates Adjustment

a) Adjustment to reflect the revenue taxes on pro forma revenue under proposed rates.

Revenue Requirement	5,500,424	
Gross Receipts Tax Rate	0.64603%	
G/R Tax at Proposed Rates	35,534	
G/R Tax at Present Rates	27,400	
Adjustment		<u>8,134</u>

11) Income Tax at Proposed Rates Adjustment

a) Adjustment to reflect State and Federal Income Taxes.

Revenue Requirement	5,500,424		
O&M Expense	(3,306,240)		
Depreciation	(374,610)		
Amortization	(40,140)		
Taxes - Other	(251,912)		
Interest Expense	(421,764)		
State Taxable Income	1,105,757		
State Income Tax Rate		5.000%	
SIT			55,288
Federal Taxable Income	1,050,469		
Federal Income Tax Rate		34.000%	
FIT			357,160
Pro Forma Income Tax-Proposed Rates			412,447
Pro Forma Income Tax-Present Rates			0
Adjustment			<u>412,447</u>

Kiawah Island Utility, Inc.
Water and Wastewater Systems
Operating Expenses - Water

	Test Year Expense	Tap Fee Costs	Adjusted Test Year Expense	Pro Forma Adjmt.	Rate Year Expense
SOURCE OF SUPPLY					
610 Purchased Water	2,310,862		2,310,862	126,096	2,436,958
615 Purchased Power	127,484		127,484	1,141	128,625
616 Fuel for Power Production	1,405		1,405		1,405
618 Chemicals	4,361		4,361	39	4,400
620 Materials & Supplies	72,132		72,132	(25,582)	46,550
675 Miscellaneous Expense	3,339		3,339		3,339
	<u>2,519,583</u>		<u>2,519,583</u>	<u>101,694</u>	<u>2,621,277</u>
TREATMENT					
620 Materials & Supplies	8,590		8,590	172	8,762
	<u>8,590</u>		<u>8,590</u>	<u>172</u>	<u>8,762</u>
TRANSMISSION & DISTRIBUTION					
620 Materials & Supplies	48,667	(19,653)	29,014	973	29,987
650 Transportation	18,278	(2,675)	15,603	5,434	21,037
	<u>66,945</u>	<u>(22,328)</u>	<u>44,617</u>	<u>6,407</u>	<u>51,024</u>
CUSTOMER ACCOUNTS					
620 Materials & Supplies	7,051		7,051	141	7,192
670 Bad Debt Expense	677		677	548	1,225
	<u>7,728</u>		<u>7,728</u>	<u>690</u>	<u>8,417</u>
ADMINISTRATIVE & GENERAL					
601 Salaries & Wages	346,867	(4,422)	342,446	14,972	357,418
604 Employee Benefits	25,720		25,720	1,110	26,830
620 Materials & Supplies	15,288		15,288	306	15,594
631 Contract Services-Engineering	11,595		11,595	(3,738)	7,857
632 Contract Services-Accounting	7,088		7,088	0	7,088
633 Contract Services-Legal	142		142	6,285	6,427
634 Contract Services-Mgmt	59,070		59,070	0	59,070
635 Contract Services-Testing	0		0	0	0
641 Building Rental	0		0	0	0
658 Insurance-Workmans Comp	3,219		3,219	139	3,358
659 Insurance-Other	53,826		53,826	1,715	55,541
675 Miscellaneous Expense	77,214		77,214	0	77,214
	<u>600,029</u>	<u>(4,422)</u>	<u>595,607</u>	<u>20,789</u>	<u>616,396</u>
Total O&M Expense	3,202,875	(26,750)	3,176,125	129,751	3,305,876
Depreciation	214,624		214,624	112,139	326,763
Deprec (Amort of Water Rights)	47,847		47,847		47,847
Amortization of Regulatory Asset	10,151		10,151		10,151
Amortization (Loan Cost)	4,854		4,854		4,854
Amortization (Rate Case)			0	21,350	21,350
Amortization (Extraordinary Repairs)			0	3,785	3,785
Gross Receipts Tax	12,714		12,714	14,686	27,400
Property Taxes	134,475		134,475	54,560	189,035
Payroll Taxes	26,524		26,524	819	27,342
State and Federal Income Taxes	68,437		68,437	(68,437)	0
Total Operating Expenses	<u>3,722,501</u>	<u>(26,750)</u>	<u>3,695,751</u>	<u>268,653</u>	<u>3,964,404</u>

Kiawah Island Utility, Inc.
Water and Wastewater Systems

Depreciation Expense - Water

		Test Year		
		Average	Acct Composite	Per Book
		UPIS Balance	Rate	Depreciation
302.1	Franchises - Water Rights	\$1,921,989	2.489%	\$47,847
339.1	Intangible Plant - Other	274,810	2.085%	5,730
303.2	Land & Land Rights	3,468,252	0.000%	0
304.2	Structures & Improvements	2,717,773	2.725%	74,065
307.2	Wells & Springs	34,338	2.000%	687
311.2	Pumping Equipment	938,415	2.546%	23,895
330.4	Distribution Storage	1,239,939	2.000%	24,799
331.4	T&D Mains	2,231,482	2.112%	47,133
334.4	Meters	100,537	2.000%	2,011
335.4	Hydrants	229,333	2.222%	5,096
339.4	Other Equipment	410,751	3.364%	13,820
340.5	Office Furniture & Fixtures	22,252	20.000%	4,450
340.5	Office Furniture & Fixtures	98,749	Full Deprec	0
341.5	Transportation Equipment	72,590	20.000%	12,938
341.5	Transportation Equipment	39,217	Full Deprec	0
Total Water Plant		<u>\$13,800,426</u>	1.876%	<u>\$262,471</u>

		Pro Forma - Rate Year			
		12/31/2010	Annualized	UPIS	Rate Year
		UPIS Balance	Depreciation	Additions	Depreciation
302.1	Franchises - Water Rights	\$1,921,989	\$47,847		\$47,847
339.1	Intangible Plant - Other	274,810	5,730		5,730
303.2	Land & Land Rights	3,468,252	0		0
304.2	Structures & Improvements	2,717,773	74,065	667	74,732
307.2	Wells & Springs	34,338	687		687
311.2	Pumping Equipment	938,415	23,895		23,895
330.4	Distribution Storage	1,239,939	24,799	800	25,599
331.4	T&D Mains	2,231,482	47,133	110,400	157,533
334.4	Meters	100,537	2,011		2,011
335.4	Hydrants	229,333	5,096		5,096
339.4	Other Equipment	410,751	13,820	875	14,695
340.5	Office Furniture & Fixtures	22,252	4,348	500	4,848
340.5	Office Furniture & Fixtures	98,749	0		0
341.5	Transportation Equipment	51,751	9,438	2,500	11,938
341.5	Transportation Equipment	60,056	0		0
Total Water Plant		<u>\$13,800,426</u>	<u>\$258,868</u>	<u>\$115,742</u>	<u>\$374,610</u>

**Kiawah Island Utility, Inc.
Water and Wastewater Systems**

Depreciation Expense - Water

	Average UPIS Balance	Test Year	
		Acct Composite Rate	Per Book Depreciation
302.1 Franchises - Water Rights	\$1,921,989	2.489%	\$47,847
339.1 Intangible Plant - Other	274,810	2.085%	5,730
303.2 Land & Land Rights	3,468,252	0.000%	0
304.2 Structures & Improvements	2,717,773	2.725%	74,065
307.2 Wells & Springs	34,338	2.000%	687
311.2 Pumping Equipment	938,415	2.546%	23,895
330.4 Distribution Storage	1,239,939	2.000%	24,799
331.4 T&D Mains	2,231,482	2.112%	47,133
334.4 Meters	100,537	2.000%	2,011
335.4 Hydrants	229,333	2.222%	5,096
339.4 Other Equipment	410,751	3.364%	13,820
340.5 Office Furniture & Fixtures	22,252	20.000%	4,450
340.5 Office Furniture & Fixtures	98,749	Full Deprec	0
341.5 Transportation Equipment	72,590	20.000%	12,938
341.5 Transportation Equipment	39,217	Full Deprec	0
Total Water Plant	<u>\$13,800,426</u>	1.876%	<u>\$262,471</u>

	12/31/2010 UPIS Balance	Pro Forma - Rate Year		
		Annualized Depreciation	UPIS Additions	Rate Year Depreciation
302.1 Franchises - Water Rights	\$1,921,989	\$47,847		\$47,847
339.1 Intangible Plant - Other	274,810	5,730		5,730
303.2 Land & Land Rights	3,468,252	0		0
304.2 Structures & Improvements	2,717,773	74,065		74,732
307.2 Wells & Springs	34,338	687	667	687
311.2 Pumping Equipment	938,415	23,895		23,895
330.4 Distribution Storage	1,239,939	24,799		25,599
331.4 T&D Mains	2,231,482	47,133	800	157,533
334.4 Meters	100,537	2,011	110,400	2,011
335.4 Hydrants	229,333	5,096		5,096
339.4 Other Equipment	410,751	13,820		14,695
340.5 Office Furniture & Fixtures	22,252	4,348	875	4,848
340.5 Office Furniture & Fixtures	98,749	0	500	0
341.5 Transportation Equipment	51,751	9,438		11,938
341.5 Transportation Equipment	60,056	0	2,500	0
Total Water Plant	<u>\$13,800,426</u>	<u>\$258,868</u>	<u>\$115,742</u>	<u>\$374,610</u>

Kiawah Island Utility, Inc.
Water and Wastewater Systems
Water Capital Structure and Rate of Return

	<u>Amount</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>	<u>Return</u>
Debt	\$7,748,889	53.65%	5.45%	2.92%	\$421,764
Equity	<u>6,695,070</u>	<u>46.35%</u>	10.35%	<u>4.80%</u>	<u>693,310</u>
	<u>\$14,443,959</u>	<u>100.00%</u>		<u>7.72%</u>	<u>\$1,115,074</u>

Calculation of Operating Margin (PSC Method)

Revenue Requirement	\$5,500,424
Equity Return	693,310
Operating Margin	12.6%

	Monthly Bills	Annual Usage (tg)	Monthly Base Chg	Usage Charge (a)	Base Chg Revenue	Usage Revenue	Total Revenue
<u>Residential</u>							
5/8" x 3/4"	34,224		\$25.38		\$868,605		\$868,605
3/4"	2,832		\$38.07		\$107,814		\$107,814
1"	2,664		\$63.45		\$169,031		\$169,031
1 1/2"	48		\$126.90		\$6,091		\$6,091
2"	48		\$203.04		\$9,746		\$9,746
3"	0		\$444.14		\$0		\$0
4"	0		\$1,274.65		\$0		\$0
0-11 kgals.		216,541.2		\$2.60		\$563,007	\$563,007
12-50 kg.		199,931.8		\$2.98		\$595,797	\$595,797
Over 50 kg.		64,195.1		\$3.21		\$206,066	\$206,066
	39,816	480,668.1			\$1,161,287	\$1,364,870	\$2,526,157
<u>Commercial</u>							
5/8" x 3/4"	564	5,338.2	\$25.38	\$3.21	\$14,314	\$17,136	\$31,450
3/4"	132	2,481.8	\$38.07	\$3.21	\$5,025	\$7,967	\$12,992
1"	96	5,413.1	\$63.45	\$3.21	\$6,091	\$17,376	\$23,467
1 1/2"	120	19,109.7	\$126.90	\$3.21	\$15,228	\$61,342	\$76,570
2"	132	6,774.9	\$203.04	\$3.21	\$26,801	\$21,747	\$48,549
3"	48	9,846.1	\$444.14	\$3.21	\$21,319	\$31,606	\$52,925
4"	12	1,334.8	\$1,274.65	\$3.21	\$15,296	\$4,285	\$19,581
	1,104	50,298.4			\$104,075	\$161,459	\$265,533
<u>Hotel/Motel</u>							
Rooms	255		Rate/Room \$10.20				
	12	10,727.0		\$3.21	\$31,212	\$34,434	\$65,646
	12	10,727.0			\$31,212	\$34,434	\$65,646
<u>Golf Course</u>							
Effluent	0	0.0	\$0.00	\$0.00	\$0	\$0	\$0
Deep Well	36	107,306.3	\$788.58	\$0.20	\$28,389	\$21,461	\$49,850
Potable	36	81,376.0	\$603.45	\$3.21	\$21,724	\$261,217	\$282,941
	72	188,682.3			\$50,113	\$282,678	\$332,791
<u>Irrigation</u>							
5/8" x 3/4"	1,152		\$25.38		\$29,238		\$29,238
3/4"	840		\$38.07		\$31,979		\$31,979
1"	876		\$63.45		\$55,582		\$55,582
1 1/2"	228		\$126.90		\$28,933		\$28,933
2"	312		\$203.04		\$63,348		\$63,348
3"	60		\$444.14		\$26,648		\$26,648
4"	0		\$1,274.65		\$0		\$0
0-50 kg.		81,321.3		\$2.98		\$242,337	\$242,337
Over 50 kg.		156,790.2		\$3.21		\$503,297	\$503,297
	3,468	238,111.5			\$235,729	\$745,634	\$981,363
Water Sales Rev.	44,472	968,487.3			\$1,582,416	\$2,589,075	\$4,171,490
					37.9%	62.1%	
Annual							
Fire Hydrant	444		Chg / Hydrant \$100.00				\$44,400
	444						\$44,400
Monthly							
Fire Lines			Base Chg				
2"	144		\$6.00				\$864
3"	24		\$11.00				\$264
4"	66		\$19.00				\$1,254
6"	12		\$38.00				\$456
	246						\$2,838
Tap-In Fees							\$0
DHEC Recoupment Fees							\$9,889
Misc. Other Revenue						0.30%	\$12,688
Total Water Operating Revenue							\$4,241,306

**Kiawah Island Utility, Inc.
Water and Wastewater Systems**

**Water Billing Analysis at Proposed Rates
Pro Forma Year-End 12/31/2011**

	Monthly Bills	Annual Usage (tg)	Monthly Base Chg	Usage Charge	Base Chg Revenue	Usage Revenue	Total Revenue
<u>Residential</u>							
5/8" x 3/4"	34,224		\$32.90		\$1,125,970		\$1,125,970
3/4"	2,832		\$49.36		\$139,788		\$139,788
1"	2,664		\$82.26		\$219,141		\$219,141
1 1/2"	48		\$164.52		\$7,897		\$7,897
2"	48		\$263.24		\$12,636		\$12,636
3"	0		\$575.82		\$0		\$0
4"	0		\$1,652.56		\$0		\$0
0-11 kgals.		216,541.2		\$3.37		\$729,744	\$729,744
12-50 kg.		199,931.8		\$3.87		\$773,736	\$773,736
Over 50 kg.		64,195.1		\$4.17		\$267,694	\$267,694
	39,816	480,668.1			\$1,505,430	\$1,771,173	\$3,276,604
<u>Commercial</u>							
5/8" x 3/4"	564	5,338.2	\$32.90	\$4.17	\$18,556	\$22,260	\$40,816
3/4"	132	2,481.8	\$49.36	\$4.17	\$6,516	\$10,349	\$16,865
1"	96	5,413.1	\$82.26	\$4.17	\$7,897	\$22,573	\$30,470
1 1/2"	120	19,109.7	\$164.52	\$4.17	\$19,742	\$79,687	\$99,430
2"	132	6,774.9	\$263.24	\$4.17	\$34,748	\$28,251	\$62,999
3"	48	9,846.1	\$575.82	\$4.17	\$27,639	\$41,058	\$68,698
4"	12	1,334.8	\$1,652.56	\$4.17	\$19,831	\$5,566	\$25,397
	1,104	50,298.6			\$134,928	\$209,745	\$344,673
<u>Hotel/Motel</u>							
Rooms	255		Rate/Room				
	12	10,727.0	\$13.22	\$4.17	\$40,453	\$44,732	\$85,185
	12	10,727.0			\$40,453	\$44,732	\$85,185
<u>Golf Course</u>							
Effluent	0	0.0			\$0	\$0	\$0
Deep Well	36	107,306.3	\$1,022.38	\$0.26	\$36,806	\$27,900	\$64,705
Potable	36	81,376.0	\$782.36	\$4.17	\$28,165	\$339,338	\$367,503
	72	188,682.3			\$64,971	\$367,238	\$432,208
<u>Irrigation</u>							
5/8" x 3/4"	1,152		\$32.90		\$37,901		\$37,901
3/4"	840		\$49.36		\$41,462		\$41,462
1"	876		\$82.26		\$72,060		\$72,060
1 1/2"	228		\$164.52		\$37,511		\$37,511
2"	312		\$263.24		\$82,131		\$82,131
3"	60		\$575.82		\$34,549		\$34,549
4"	0		\$1,652.56		\$0		\$0
0-50 kg.		81,321.3		\$3.87		\$314,713	\$314,713
Over 50 kg.		156,790.2		\$4.17		\$653,815	\$653,815
	3,468	238,111.5			\$305,614	\$968,529	\$1,274,142
Water Sales Rev.	44,472	968,487.5			\$2,051,396 37.9%	\$3,361,416 62.1%	\$5,412,812
Fire Hydrant	444		Annual Chg / Hydrant				\$57,720
	444		\$130.00				\$57,720
Fire Lines			Monthly Base Chg				
2"	60		\$7.80				\$468
3"	48		\$14.30				\$686
4"	48		\$24.60				\$1,181
6"	24		\$49.30				\$1,183
	180						\$3,518
Tap-In Fees							\$0
DHEC Recoupment Fees							\$9,889
Misc. Other Revenue						0.30%	\$16,455
Total Water Operating Revenue							\$5,500,395

Kiawah Island Utility, Inc.**Revenue Requirement**

		<u>Water</u>
Equity Return		\$693,310
Gross Revenue Tax	0.646026%	7,190
Effective Income Tax Rate	37.3000%	<u>412,448</u>
Equity Grossed-Up	37.7051%	1,112,948
O&M Expenses		3,306,240
Depreciation		374,610
Amortization		40,140
Property Taxes		189,035
Payroll Taxes		27,342
Interest Expense		<u>421,764</u>
		4,359,132
Gross Revenue Tax		<u>28,344</u>
		4,387,476
Revenue Requirement		<u><u>\$5,500,424</u></u>
Revenue @ Present Rates		4,241,306
Percentage Increase		29.7%

Kiawah Island Utility, Inc.

Rate Design - Water System

Metered Sales

	PRESENT Monthly Rate	Factor	PROPOSED Monthly Rate	Percentage Change
Base Service:				
5/8"	\$ 25.38	1.0	\$ 32.90	29.6%
3/4"	\$ 38.07	1.5	\$ 49.36	29.7%
1"	\$ 63.45	2.5	\$ 82.26	29.6%
1 1/2"	\$ 126.90	5.0	\$ 164.52	29.6%
2"	\$ 203.04	8.0	\$ 263.24	29.6%
3"	\$ 444.14	17.5	\$ 575.82	29.6%
4"	\$ 1,274.65	50.2	\$ 1,652.56	29.6%
Rate/Room	\$ 10.20	0.4	\$ 13.22	29.6%
Effluent	\$ -	-	\$ -	-
Deep Well	\$ 788.58	31.1	\$ 1,022.38	29.6%
Potable	\$ 603.45	23.8	\$ 782.36	29.6%

Usage:	Rate / tg	Factor	Rate / tg	
Residential				
0-11 tg	\$ 2.60	1.00	\$ 3.37	29.6%
12-50 tg	\$ 2.98	1.15	\$ 3.87	29.9%
Over 50tg	\$ 3.21	1.23	\$ 4.17	29.9%

General Service				
All tg	\$ 3.21	1.23	\$ 4.17	29.9%

Golf Course				
Effluent	\$ -	-	\$ -	-
Deep Well	\$ 0.20	0.08	\$ 0.26	30.0%
Potable	\$ 3.21	1.23	\$ 4.17	29.9%

Irrigation				
0-50 tg	\$ 2.98	1.15	\$ 3.87	29.9%
Over 50tg	\$ 3.21	1.23	\$ 4.17	29.9%

Fire Service Sales

2" Line	\$ 6.00	0.24	\$ 7.80	30.0%
3" Line	\$ 11.00	0.43	\$ 14.30	30.0%
4" Line	\$ 19.00	0.75	\$ 24.60	29.5%
6" Line	\$ 38.00	1.50	\$ 49.30	29.7%
	Annual Rate			
Rate/Hydrant	\$ 100.00	3.94	\$ 130.00	30.0%

Pro Forma Existing Rates:

Service Charge Revenue	\$ 1,582,415.76	37.51%	Percent of Base plus Usage 37.9%
Metered Usage Revenue	2,589,074.57	61.37%	62.1%
Fire Service Revenue	47,238.00	1.12%	
Subtotal	\$ 4,218,728.33	100.00%	
Tap-In	-		
DHEC Fees	9,889.26		
Misc Revenue	12,687.95		
Total Revenue	\$ 4,241,305.54		

Pro Forma Revenue Requirement:

Service Charge Revenue	\$ 2,053,289.40	(Sch, E.2 Results) \$ 2,051,395.92	(1,893.48)
Metered Usage Revenue	3,359,495.96	3,361,416.35	1,920.39
Fire Service Revenue	61,294.44	61,238.40	(56.04)
Subtotal	\$ 5,474,079.80	\$ 5,474,050.67	(29.13)
Tap-In	-	-	
DHEC Fees	9,889.26	9,889.26	
Misc Revenue	16,454.63	16,454.63	
Total Revenue	\$ 5,500,423.69	\$ 5,500,394.56	(29.13)

Service Charge Revenue

	Monthly Bills	Factor	Factored Monthly Bills	Proposed Rate
5/8"	35,940.0	1.00	35,940.00	\$ 32.90
3/4"	3,804.0	1.50	5,706.00	\$ 49.36
1"	3,636.0	2.50	9,090.00	\$ 82.26
1 1/2"	396.0	5.00	1,980.00	\$ 164.52
2"	492.0	8.00	3,936.00	\$ 263.24
3"	108.0	17.50	1,889.96	\$ 575.82
4"	12.0	50.22	602.67	\$ 1,652.56
Rate/Room (Rooms)	3,060.0	0.40	1,229.79	\$ 13.22
Effluent	-	-	-	\$ -
Deep Well	36.0	31.07	1,118.55	\$ 1,022.38
Potable	36.0	23.78	855.96	\$ 782.36
2" Line	60.0	0.24	14.18	\$ 7.80
3" Line	48.0	0.43	20.80	\$ 14.30
4" Line	48.0	0.75	35.93	\$ 24.60
6" Line	24.0	1.50	35.93	\$ 49.30
Hydrants	444.0	3.94	1,749.41	\$ 130.00
	48,144.0		64,205.19	
			2,114,583.84	
Rate per 5/8" ERC			\$ 32.90	

Metered Usage Revenue

	TG	Factor	Factored Usage	Proposed Rate
Tier 1 Use	216,541.2	1.00	216,541.20	\$ 3.37
Tier 2 Use	281,253.1	1.15	322,359.32	\$ 3.87
Tier 3 Use	282,010.9	1.23	348,175.00	\$ 4.17
Effluent	-	-	-	\$ -
Deep Well	107,306.3	0.08	8,254.33	\$ 0.26
Potable	81,376.0	1.23	100,468.06	\$ 4.17
	968,487.5		995,797.91	
			3,359,495.96	
Rate per TG (Tier 1)			\$ 3.37	

**Kiawah Island Utility, Inc.
Water and Wastewater Systems**

Sewer Rate Base Calculation

	Test Year 12/31/2010	Pro Forma Adjustment	Pro Forma 12/31/2011
Plant in Service	\$9,476,234	\$170,009	\$9,646,243
Accumulated Depreciation	(3,380,582)	(178,007)	(3,558,589)
CWIP	2,709	0	2,709
Net Plant	6,098,361	(7,999)	6,090,362
Working Capital (1/8th O&M)	85,054	2,506	87,560
Unamortized Bal. of Rate Case Exp.	0	74,725	74,725
Unamortized Bal. of Extraordinary Exp.	0	0	0
Rate Base	<u>\$6,183,415</u>	<u>\$69,232</u>	<u>\$6,252,647</u>

Kiawah Island Utility, Inc.
Water and Wastewater Systems
Adjustments to Pro Forma Rate Base-Sewer Operations

a) Adjust plant in service to include pro forma capital project costs.		
Additions to Equipment/Shop Bldg	10,000	
Pump Station Upgrade	60,000	
Structure Replacement-Pump Station	(19,200)	
Truck Purchase	12,500	
Truck Retirement	(8,542)	
Effluent Disposal System Upgrade	100,000	
Computer Purchases	2,500	
T&D Equipment Purchases	12,750	
Adjustment		<u>\$ 170,009</u>
b) Adjust accumulated depreciation to reflect pro forma annual depreciation.		
Depreciation Expense of Test Year Plant	196,918	
Additions to Equipment/Shop Bldg	333	
Pump Station Upgrade	2,000	
Structure Replacement-Pump Station	(19,200)	
Truck Purchase	2,500	
Truck Retirement	(8,542)	
Effluent Disposal System Upgrade	2,222	
Computer Purchases	500	
T&D Equipment Purchases	1,275	
Adjustment		<u>\$ 178,007</u>
c) Adjust working capital allowance for changes to O&M expenses.		
Total Adjustments	20,046	
Allowance	12.50%	
Adjustment		<u>\$ 2,506</u>
d) Adjustment to reflect the average unamortized balance of rate case expense.		
Rate Case Costs	85,400	
Amortization Period (yrs)	4	
Average Rate-Year Balance	74,725	
Adjustment		<u>\$ 74,725</u>

**Kiawah Island Utility, Inc.
Water and Wastewater Systems**

Sewer Utility Plant in Service

	<u>Test Year</u> <u>12/31/2010</u>	<u>Pro Forma</u> <u>Additions</u>	<u>Pro Forma</u> <u>Retirement</u>	<u>Pro Forma</u> <u>12/31/2011</u>
389.1 Intangible Plant - Other	\$357,688	\$0		\$357,688
360.2 Collection Sewers - Force	2,662,532	0		2,662,532
361.2 Collection Sewers - Gravity	1,298,634	0		1,298,634
371.3 Pumping Equipment	7,511	100,000		107,511
354.4 Structures - Treatment & Disposal	2,922,780	70,000	(19,200)	2,973,580
355.4 Power Generation Equipment	109,463	0		109,463
380.4 T&D Equipment	30,526	0		30,526
389.4 Other Equipment - T&D	28,179	12,750		40,929
353.6 Land & Land Rights	1,826,175	0		1,826,175
390.7 Office Furniture & Fixtures	113,639	2,500		116,139
391.7 Transportation Equipment	119,107	12,500	(8,542)	123,065
Total Sewer Plant	<u>\$9,476,234</u>	<u>\$197,750</u>	<u>(\$27,742)</u>	<u>\$9,646,243</u>

Kiawah Island Utility, Inc.
Water and Wastewater Systems

Sewer Accumulated Depreciation

		Test Year 12/31/2010	Pro Forma Expense	Pro Forma Retirement	Pro Forma 12/31/2011
389.1	Intangible Plant - Other	\$195,741	\$7,780		\$203,522
360.2	Collection Sewers - Force	1,119,171	58,536		1,177,708
361.2	Collection Sewers - Gravity	545,869	28,551		574,420
371.3	Pumping Equipment	4,935	2,541		7,476
354.4	Structures - Treatment & Disposal	1,202,193	75,456	(19,200)	1,258,450
355.4	Power Generation Equipment	73,905	9,362		83,266
380.4	T&D Equipment	16,556	2,757		19,312
389.4	Other Equipment - T&D	22,925	2,520		25,445
353.6	Land & Land Rights	0	0		0
390.7	Office Furniture & Fixtures	98,961	4,848		103,809
391.7	Transportation Equipment	100,326	13,398	(8,542)	105,182
	Total Sewer Plant	<u>\$3,380,582</u>	<u>\$205,749</u>	<u>(\$27,742)</u>	<u>\$3,558,589</u>

**Kiawah Island Utility, Inc.
Water and Wastewater Systems**

Sewer Operating Statement

	Year-End 12/31/2010	Test Year Adjustments	Pro Forma Adjustments	12/31/2011		
				Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
Operating Revenue:						
Residential	\$1,117,669		\$28,387 (1a)	\$1,146,056	\$160,227 (1b)	\$1,306,283
Commercial	140,274		(114) (1c)	140,160	19,710 (1d)	159,871
Hotel	51,715		359 (1e)	52,074	7,319 (1f)	59,393
Golf Course	167,930		(535) (1g)	167,395	22,766 (1h)	190,160
Tap-In Revenue	20,500	(20,500)		0		0
Misc. Other Revenue	7,670		65 (1i)	7,735	1,079 (1j)	8,814
Total Revenues	1,505,759	(20,500)	28,161	1,513,420	211,100	1,724,520
Operating Expense:						
O&M Expenses	700,932	(20,500)	20,046 (2)	700,478	62 (9)	700,540
Depreciation	199,936		5,813 (3)	205,749		205,749
Amortization	10,397		21,350 (4)	31,747		31,747
Gross Receipts Tax	8,810		967 (5)	9,777	1,363 (10)	11,140
Property Taxes	93,179		1,672 (6)	94,850		94,850
Payroll Taxes	18,379		802 (7)	19,180		19,180
State and Federal Income Taxes	77,328		19,062 (8)	96,390	82,154 (11)	178,544
Total Operating Expenses	1,108,960	(20,500)	69,712	1,158,172		1,241,751
Net Operating Income	\$396,799			\$355,248		\$482,768
Rate Base	\$6,183,415			\$6,252,647		\$6,252,647
Rate of Return	6.42%			5.68%		7.72%
					Interest	182,577
					Operating Margin	17.41%
					Revenue Increase	13.9%

Kiawah Island Utility, Inc.
Adjustments to Operating Statement (Sewer)

1) Revenue Adjustments NOTE: Tap Fees are eliminated with an equal reduction to O&M expenses.			
a) Adjust residential revenue to reflect the pro forma number of customers at present rates.			
Residential Revenue Per Schedule E.1	1,146,056		
Less: Residential Revenue - Test Year	<u>1,117,669</u>		
Adjustment			<u>28,387</u>
b) Adjust residential revenue to reflect the pro forma number of customers at proposed rates.			
Residential Revenue Per Schedule E.2	1,306,283		
Less: Residential Revenue Per Schedule E.1	<u>1,146,056</u>		
Adjustment			<u>160,227</u>
c) Adjust commercial revenue to reflect the pro forma number of customers at present rates.			
Commercial Revenue Per Schedule E.1	140,160		
Less: Commercial Revenue - Test Year	<u>140,274</u>		
Adjustment			<u>(114)</u>
d) Adjust commercial revenue to reflect the pro forma number of customers at proposed rates.			
Commercial Revenue Per Schedule E.2	159,871		
Less: Commercial Revenue Per Schedule E.1	<u>140,160</u>		
Adjustment			<u>19,710</u>
e) Adjust hotel revenue to reflect the pro forma number of customers at present rates.			
Hotel Revenue Per Schedule E.1	52,074		
Less: Hotel Revenue - Test Year	<u>51,715</u>		
Adjustment			<u>359</u>
f) Adjust hotel revenue to reflect the pro forma number of customers at proposed rates.			
Hotel Revenue Per Schedule E.2	59,393		
Less: Hotel Revenue Per Schedule E.1	<u>52,074</u>		
Adjustment			<u>7,319</u>
g) Adjust golf course revenue to reflect the pro forma number of customers at present rates.			
Golf Course Revenue Per Schedule E.1	167,395		
Less: Golf Course Revenue - Test Year	<u>167,930</u>		
Adjustment			<u>(535)</u>
h) Adjust golf course revenue to reflect the pro forma number of customers at proposed rates.			
Golf Course Revenue Per Schedule E.2	190,160		
Less: Golf Course Revenue Per Schedule E.1	<u>167,395</u>		
Adjustment			<u>22,766</u>
i) Adjust miscellaneous revenues to reflect percentage of pro forma total revenue at present rates relative to test year total revenue.			
Other Revenue Per Schedule E.1	7,735		
Less: Other Revenue - Test Year	<u>7,670</u>		
Adjustment			<u>65</u>
j) Adjust miscellaneous revenues to reflect percentage of pro forma total revenue at proposed rates relative to pro forma total revenue at present rates.			
Other Revenue Per Schedule E.2	8,814		
Less: Other Revenue Per Schedule E.1	<u>7,735</u>		
Adjustment			<u>1,079</u>

Kiawah Island Utility, Inc.
Adjustments to Operating Statement (Sewer)

2) O&M Expense Adjustments

- a) Increase the level of purchased power, chemical and sludge removal costs for increased system demand.

	Test Year	Demand Increase	Pro Forma
Power-Pumping	39,516	0.330%	39,646
Power-T&D	94,412	0.330%	94,724
Chemicals	6,316	0.330%	6,336
Sludge Removal	3,403	0.330%	3,414
	<u>143,646</u>		<u>144,120</u>
Adjustment			

474

- b) Adjust materials and supplies to reflect inflationary price increase.

	Test Year	Increase	Pro Forma
Collection	5,834	2.000%	5,951
Pumping	55,305	2.000%	56,411
T&D	22,986	2.000%	23,446
Customer	4,885	2.000%	4,983
A&G	10,593	2.000%	10,805
	<u>99,604</u>		<u>101,596</u>
Adjustment			

1,992

- c) Increase the level of wages for new hires and an annual cost of living wage increase.

Pro Forma Wages with Full Compliment of Employees	244,606
Annual Increase	2.50%
Pro forma Wages	<u>250,721</u>
Less: Test Year Costs	240,347
Adjustment	

10,374

- d) Adjust labor related costs (employee benefits and workmans compensation) relative to pro forma wages based on test year percentages.

	Test Year	Increase	Pro Forma
Wages	240,347	4.32%	250,721
Percent of Benefits to Wages	7.415%		7.415%
Employee Benefits	17,822	4.32%	18,591
Percent of Workmans Comp to Wages	0.928%		0.928%
Workmans Comp	2,230	4.32%	2,327
Labor Related Costs	<u>20,052</u>		<u>20,918</u>
Adjustment			

866

- e) Adjust Contract Services (Engineering and Legal) that vary year-to-year to reflect 2006-2010 average cost.

	Test Year	Avg Cost
Engineering C/S	8,034	5,445
Legal C/S	98	4,863
Annual Cost	<u>8,132</u>	<u>10,308</u>
Adjustment		

2,176

- f) Adjust transportation costs relative to the change in gasoline prices.

	Test Year	Factor	Pro Forma
Transportation	12,665	1.297	16,430
Adjustment			

3,765

- g) Adjust bad debt expense to reflect .03% of pro forma revenue under present rates.

Bad debt at .03% of Metered Revenues	448
Less: Test Year Costs	<u>677</u>
Adjustment	

(229)

- i) Adjust insurance costs to reflect the annualized current premiums.

Annualized Premiums	55,541
Less: Test Year Costs	<u>53,826</u>

1,715

Kiawah Island Utility, Inc.
Adjustments to Operating Statement (Sewer)

3) Depreciation Expense Adjustment

- a) Adjustment to reflect the annual depreciation for pro forma plant in service.

Pro Forma Depreciation Expense	205,749	
Test period Depreciation Expense	199,936	
Adjustment		<u>5,813</u>

4) Amortization Expense Adjustment

- a) Adjustment to reflect the amortization of rate case expense.

Total rate case cost	85,400	
Amortization period (years)	4	
Annual amortization		<u>21,350</u>

5) Gross Receipt Tax Adjustment

- a) Adjustment to reflect the gross receipt taxes on pro forma revenue under present rates.

Revenue	1,513,420	
Revenue Tax Rate	0.64603%	
	9,777	
Less: Test Year Revenue Tax	8,810	
Adjustment		<u>967</u>

6) Property Tax Adjustment

- a) Adjustment to reflect property taxes relative to Plant additions.

	Test Year	Factor	Pro Forma	
Plant Costs	9,476,234	1.017941	9,646,243	
Property Tax	93,179	1.017941	94,850	
Adjustment				<u>1,672</u>

7) Payroll Tax Adjustment

- a) Increase the level of payroll taxes to reflect pro forma wages.

	Test Year	Pro Forma	
Wages	240,347	250,721	
	7.65%	7.65%	
Payroll Tax	18,379	19,180	
Adjustment			<u>802</u>

8) Income Tax Adjustment

- a) Adjustment to reflect State and Federal Income Taxes.

Revenue	1,513,420		
O&M Expense	(700,478)		
Depreciation	(205,749)		
Amortization	(31,747)		
Taxes - Other	(123,808)		
Interest Expense	(182,577)		
State Taxable Income	269,061		
State Income Tax Rate		5.000%	
SIT			13,453
Federal Taxable Income	255,608		
Federal Income Tax Rate		32.447%	
FIT			82,937
Pro Forma Income Tax			96,390
Test Period Income Tax			77,328
Adjustment			<u>19,062</u>

Kiawah Island Utility, Inc.
Adjustments to Operating Statement (Sewer)

9) Bad Debt at Proposed Rates Adjustment

a) Adjust bad debt expense to reflect impact of rate increase.

Pro forma Bad Debt at Present Rates	448	
Rate Increase Percentage	13.9%	
Adjustment		<u>62</u>

10) Gross Receipt Tax at Proposed Rates Adjustment

a) Adjustment to reflect the revenue taxes on pro forma revenue under proposed rates.

Revenue Requirement	1,724,456	
Gross Receipts Tax Rate	0.64603%	
G/R Tax at Proposed Rates	11,140	
G/R Tax at Present Rates	9,777	
Adjustment		<u>1,363</u>

11) Income Tax at Proposed Rates Adjustment

a) Adjustment to reflect State and Federal Income Taxes.

Revenue Requirement	1,724,456		
O&M Expense	(700,540)		
Depreciation	(205,749)		
Amortization	(31,747)		
Taxes - Other	(125,171)		
Interest Expense	(182,577)		
State Taxable Income	478,672		
State Income Tax Rate		5.000%	
SIT			23,934
Federal Taxable Income	454,738		
Federal Income Tax Rate		34.000%	
FIT			154,611
Pro Forma Income Tax-Proposed Rates			178,544
Pro Forma Income Tax-Present Rates			96,390
Adjustment			<u>82,154</u>

Kiawah Island Utility, Inc.
Water and Wastewater Systems
Operating Expenses - Sewer

	Test Year Expense	Tap Fee Costs	Adjusted Test Year Expense	Pro Forma Adjmt.	Rate Year Expense
COLLECTION					
720 Materials & Supplies	5,834	(1,317)	4,517	117	4,634
775 Miscellaneous Expense	8,895		8,895		8,895
	<u>14,729</u>	<u>(1,317)</u>	<u>13,412</u>	<u>117</u>	<u>13,528</u>
PUMPING					
715 Purchased Power	39,516		39,516	312	39,827
720 Materials & Supplies	55,305		55,305	130	55,435
	<u>94,821</u>		<u>94,821</u>	<u>442</u>	<u>95,263</u>
TREATMENT & DISPOSAL					
711 Sludge Removal	3,403		3,403	11	3,414
715 Purchased Power	94,412		94,412	20	94,433
718 Chemicals	6,316		6,316	20	6,336
720 Materials & Supplies	22,986		22,986	460	23,446
750 Transportation	12,665	(2,050)	10,615	3,765	14,380
	<u>139,782</u>	<u>(2,050)</u>	<u>137,732</u>	<u>4,277</u>	<u>142,009</u>
CUSTOMER ACCOUNTS					
720 Materials & Supplies	4,885		4,885	98	4,983
770 Bad Debt Expense	677		677	(229)	448
	<u>5,563</u>		<u>5,563</u>	<u>(132)</u>	<u>5,431</u>
ADMINISTRATIVE & GENERAL					
701 Salaries & Wages	240,347	(3,389)	236,958	10,374	247,332
704 Employee Benefits	17,822		17,822	769	18,591
720 Materials & Supplies	10,593		10,593	212	10,805
731 Contract Services-Engineering	8,034		8,034	(2,589)	5,445
732 Contract Services-Accounting	4,912		4,912		4,912
733 Contract Services-Legal	98		98	4,765	4,863
734 Contract Services-Mgmt	40,930		40,930		40,930
735 Contract Services-Testing	0		0		0
741 Building Rental	0		0		0
758 Insurance-Workmans Comp	2,230		2,230	96	2,327
759 Insurance-Other	53,826		53,826	1,715	55,541
775 Miscellaneous Expense	67,246	(13,744)	53,502		53,502
	<u>446,038</u>	<u>(17,133)</u>	<u>428,905</u>	<u>15,342</u>	<u>444,247</u>
Total O&M Expense	700,932	(20,500)	680,432	20,046	700,478
Depreciation	199,936		199,936	5,813	205,749
Amortization of Regulatory Asset	7,034		7,034		7,034
Amortization (Loan Cost)	3,363		3,363		3,363
Amortization (Rate Case)			0	21,350	21,350
Gross Receipts Tax	8,810		8,810	967	9,777
Property Taxes	93,179		93,179	1,672	94,850
Payroll Taxes	18,379		18,379	802	19,180
State and Federal Income Taxes	77,328		77,328	19,062	96,390
Total Operating Expenses	<u>1,108,960</u>	<u>(20,500)</u>	<u>1,088,460</u>	<u>69,712</u>	<u>1,158,172</u>

Kiawah Island Utility, Inc.
Water and Wastewater Systems

Depreciation Expense - Sewer

		Test Year		
		Average	Acct Composite	Per Book
		UPIS Balance	Rate	Depreciation
389.1	Intangible Plant - Other	\$357,688	2.175%	\$7,780
360.2	Collection Sewers - Force	2,662,532	2.199%	58,536
361.2	Collection Sewers - Gravity	1,298,634	2.199%	28,551
371.3	Pumping Equipment	7,511	4.243%	319
354.4	Structures - Treatment & Disposal	2,919,851	2.484%	72,537
355.4	Power Generation Equipment	109,463	8.552%	9,362
380.4	T&D Equipment	30,526	9.030%	2,757
389.4	Other Equipment - T&D	28,179	4.418%	1,245
353.6	Land & Land Rights	1,826,175	0.000%	0
390.7	Office Furniture & Fixtures	22,252	20.000%	4,450
390.7	Office Furniture & Fixtures	91,388	Full Deprec	0
391.7	Transportation Equipment	68,341	20.000%	14,398
391.7	Transportation Equipment	50,766	Full Deprec	0
Total Sewer Plant		<u>\$9,473,305</u>	2.079%	<u>\$199,935</u>

		Pro Forma - Rate Year			
		12/31/2010	Annualized	UPIS	Rate Year
		UPIS Balance	Depreciation	Additions	Depreciation
389.1	Intangible Plant - Other	\$357,688	\$7,780		\$7,780
360.2	Collection Sewers - Force	2,662,532	58,536		58,536
361.2	Collection Sewers - Gravity	1,298,634	28,551		28,551
371.3	Pumping Equipment	7,511	319	2,222	2,541
354.4	Structures - Treatment & Disposal	2,922,780	73,123	2,333	75,456
355.4	Power Generation Equipment	109,463	9,362		9,362
380.4	T&D Equipment	30,526	2,757		2,757
389.4	Other Equipment - T&D	28,179	1,245	1,275	2,520
353.6	Land & Land Rights	1,826,175	0		0
390.7	Office Furniture & Fixtures	21,019	4,348	500	4,848
390.7	Office Furniture & Fixtures	92,620	0		0
391.7	Transportation Equipment	31,689	10,898	2,500	13,398
391.7	Transportation Equipment	87,418	0		0
Total Sewer Plant		<u>\$9,476,234</u>	<u>\$196,918</u>	<u>\$8,831</u>	<u>\$205,749</u>

Kiawah Island Utility, Inc.
Water and Wastewater Systems
Sewer Capital Structure and Rate of Return

	<u>Amount</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>	<u>Return</u>
Debt	\$3,354,417	53.65%	5.45%	2.92%	\$182,577
Equity	<u>2,898,230</u>	<u>46.35%</u>	10.35%	<u>4.80%</u>	<u>300,127</u>
	<u>\$6,252,647</u>	<u>100.00%</u>		<u>7.72%</u>	<u>\$482,704</u>

Calculation of Operating Margin (PSC Method)

Revenue Requirement	\$1,724,456
Equity Return	300,127
Operating Margin	17.4%

Kiawah Island Utility, Inc.**Revenue Requirement**

		<u>Sewer</u>
Equity Return		\$300,127
Gross Revenue Tax	0.646026%	3,112
Effective Income Tax Rate	37.3000%	178,544
Equity Grossed-Up	37.7051%	481,784
O&M Expenses		700,540
Depreciation		205,749
Amortization		31,747
Property Taxes		94,850
Payroll Taxes		19,180
Interest Expense		182,577
		<u>1,234,644</u>
Gross Revenue Tax		8,028
		<u>1,242,672</u>
Revenue Requirement		<u><u>\$1,724,456</u></u>
Revenue @ Present Rates		1,513,420
Percentage Increase		13.9%

Klawah Island Utility, Inc.

Rate Design - Sewer System

Metered Sales

	PRESENT Monthly Rate	Factor	PROPOSED Monthly Rate	Percentage Change
Base Service:				
5/8"	\$ 22.66	1.0	\$ 25.84	14.0%
3/4"	\$ 34.00	1.5	\$ 38.77	14.0%
1"	\$ 56.66	2.5	\$ 64.61	14.0%
1 1/2"	\$ 113.31	5.0	\$ 129.21	14.0%
2"	\$ 181.30	8.0	\$ 206.74	14.0%
3"	\$ 396.60	17.5	\$ 452.25	14.0%
4"	\$ 1,226.17	54.1	\$ 1,398.23	14.0%
Rate/Room	\$ 9.06	0.4	\$ 10.33	14.0%
Effluent	\$ 3,762.97	166.1	\$ 4,291.01	14.0%

Usage:	Rate / tg	Factor	Rate / tg	
Residential				
0-11 tg	\$ 0.59	1.00	\$ 0.67	13.6%
12-50 tg	\$ -	-		
Over 50tg	\$ -	-		

General Service				
All tg	\$ 2.27	3.85	\$ 2.59	14.1%

Golf Course				
Effluent	\$ 0.17	0.29	\$ 0.19	11.8%

Pro Forma Existing Rates:

			Percent of Base plus Usage
Service Charge Revenue	\$ 1,257,624.12	83.53%	83.5%
Metered Usage Revenue	248,060.68	16.47%	16.5%
Other Service Revenue	-	0.00%	
Subtotal	\$ 1,505,684.80	100.00%	
Tap-In Revenue	-		
Misc Revenue	7,734.99		
Total Revenue	\$ 1,513,419.79		

Pro Forma Revenue Requirement:

		(Sch. E.2 Results)	
Service Charge Revenue	\$ 1,432,991.05	\$ 1,434,098.76	1,107.71
Metered Usage Revenue	282,651.02	281,607.44	(1,043.58)
Other Service Revenue	-	-	-
Subtotal	\$ 1,715,642.07	\$ 1,715,706.20	64.13
Tap-In Revenue	-	-	-
Misc Revenue	8,813.58	8,813.58	
Total Revenue	\$ 1,724,455.65	\$ 1,724,519.78	64.13

Service Charge Revenue

	Monthly Bills	Factor	Factored Monthly Bills	Proposed Rate
5/8"	34,176.0	1.00	34,176.00	\$ 25.84
3/4"	2,844.0	1.50	4,267.26	\$ 38.77
1"	2,628.0	2.50	6,571.16	\$ 64.61
1 1/2"	132.0	5.00	660.06	\$ 129.21
2"	168.0	8.00	1,344.15	\$ 206.74
3"	36.0	17.50	630.08	\$ 452.25
4"	12.0	54.11	649.34	\$ 1,398.23
Rate/Room (Rooms)	3,060.0	0.40	1,223.46	\$ 10.33
Effluent	36.0	166.06	5,978.24	\$ 4,291.01
	43,092.0		55,499.74	
			1,432,991.05	
Rate per 5/8" ERC			\$ 25.84	

Metered Usage Revenue

	TG	Factor	Factored Usage	Proposed Rate
Residential	213,608.6	1.00	213,608.60	\$ 0.67
Commercial	39,693.3	3.85	152,718.29	\$ 2.59
Effluent	187,810.7	0.29	54,114.95	\$ 0.19
	441,112.6		420,441.84	
			282,651.02	
Rate per TG (ERC)			\$ 0.67	

APPENDIX A

KIAWAH ISLAND UTILITY, INC.

Schedule of Current Rates and Charges

KIAWAH ISLAND UTILITY, INC.
31 Sora Rail Road
Johns Island, S.C. 29455
(843) 768-0641

APPENDIX A

FILED PURSUANT TO DOCKET NO. 2001-164-W/S - ORDER NO. 2009-255

EFFECTIVE DATE of Original Order: April 18, 2002

(Water increase of \$.05 approved by PSC on January 5, 2011)

Rates applied on March 1, 2011

RATE SCHEDULE NO. 1 RESIDENTIAL SERVICE

AVAILABILITY - Available within the Company's service area.
APPLICABILITY - Applicable to any residential customer for any purpose.

Water Service Charges

A.	Base Facilities Charge	
	5/8" meter	\$25.38 / mo.
	3/4" meter	\$38.07 / mo.
	1" meter	\$63.45 / mo.
	1 1/2" meter	\$126.90 / mo.
	2" meter	\$203.04 / mo.
	3" meter	\$444.14 / mo.
	4" meter	\$1,274.65 / mo.
	Base Facilities Charge for water service with meters larger than 4" shall be: <u>Maximum recommended meter capacity (gpm) x \$25.38 per mo.</u> 20 gpm	
B.	Consumption Charge	
	All up to 11,000 gals./mo.	\$2.60 /1000 gal.
C.	Excess Consumption Charge #1	\$2.98 /1000 gal.
	All over 11,000 gal./mo. and up to 50,000 gal./ mo.	
D.	Excess Consumption Charge #1	\$3.21 /1000 gal.
	All over 50,000 gal./mo.	

Sewer Service Charges

A.	Base Facilities Charge	
	5/8" water meter	\$22.66 / mo.
	3/4" water meter	\$34.00 / mo.
	1" water meter	\$56.66 / mo.
	1 1/2" water meter	\$113.31 / mo.
	2" water meter	\$181.30 / mo.
	3" water meter	\$396.60 / mo.
	4" water meter	\$1,226.17 / mo.
	Base Facilities Charge for sewer service where water service is through meters larger than 4" shall be: <u>Maximum recommended meter capacity (gpm) x \$22.66 per mo.</u> 20 gpm	
B.	Consumption Charge based on Water Usage	
	All up to 11,000 gals./mo.	\$0.59 /1000 gal.

Tap-In Fees

Water Tap-In Fee	\$500.00
Sewer Tap-In Fee	\$500.00

The tap-in fee provides for installation of the normal size residential meter of 5/8" by 3/4".
Where the customer requests a larger meter, the Company will apply the tap-in schedule

for larger meters as listed in the Commercial Service Schedule No. 2.

(1)

RATE SCHEDULE NO. 2 COMMERCIAL SERVICE

- AVAILABILITY** - Available within the Company's service area.
APPLICABILITY - Applicable to any commercial or master metered residential customer for any purpose except hotel or motel use (see Rate Schedule No. 3).

Water Service Charges

A.	Base Facilities Charge	
	5/8" meter	\$25.38 / mo.
	3/4" meter	\$38.07 / mo.
	1" meter	\$63.45 / mo.
	1 1/2" meter	\$126.90 / mo.
	2" meter	\$203.04 / mo.
	3" meter	\$444.14 / mo.
	4" meter	\$1,274.65 / mo.

Base Facilities Charge for water service with meters larger than 4" shall be:
Maximum recommended meter capacity (gpm) x \$25.38 per mo.
20 gpm

B.	Consumption Charge	\$3.21 /1000 gal. for all consumption
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Sewer Service Charges

A.	Base Facilities Charge	
	5/8" water meter	\$22.66 / mo.
	3/4" water meter	\$34.00 / mo.
	1" water meter	\$56.66 / mo.
	1 1/2" water meter	\$113.31 / mo.
	2" water meter	\$181.30 / mo.
	3" water meter	\$396.60 / mo.
	4" water meter	\$1,226.17 / mo.

Base Facilities Charge for sewer service where water service is through meters larger than 4" shall be:
Maximum recommended meter capacity (gpm) x \$22.66 per mo.
20 gpm

B.	Consumption Charge based on Water Usage	\$2.27 /1000 gal. for all consumption
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Tap-In Fees

	<u>Water Tap-In Fee</u>	<u>Sewer Tap-In Fee</u>
5/8" meter	\$500.00	\$500.00
3/4" meter	\$750.00	\$750.00
1" meter	\$1,250.00	\$1,250.00
1 1/2" meter	\$2,500.00	\$2,500.00
2" meter	\$4,000.00	\$4,000.00
3" meter	\$8,750.00	\$8,750.00

Water tap-in fee and sewer tap-in fee for water and sewer service where the water meter is larger than 3" shall be:
Maximum recommended meter capacity (gpm) x \$500.00
20 gpm

RATE SCHEDULE NO. 3 HOTEL AND MOTEL SERVICE

<u>AVAILABILITY</u>	- Available within the Company's service area.
<u>APPLICABILITY</u>	- Applicable to all hotel and motel customers for any purpose.

Water Service Charges

Base Facilities Charge	\$10.20 /mo./room
All Consumption	\$3.21 /1000 gal.

Sewer Service Charges

Base Facilities Charge	\$9.06 /mo./room
All Consumption	\$2.27 /1000 gal.

Tap-In Fees

Water Tap-In Fee	\$220.00 /room
Sewer Tap-In Fee	\$220.00 /room

RATE SCHEDULE NO. 4 IRRIGATION SERVICE

<u>AVAILABILITY</u>	- Available within the Company's service area. The Company reserves the right to limit or reduce the irrigation service available when, in its sole judgment, its water system conditions require such restrictions.
<u>APPLICABILITY</u>	- Applicable only to customers who anticipate substantial potable water use which will not be returned to the Company's wastewater treatment system such as irrigation. Such water consumption shall be metered separately from any water use supplied under other rate schedules.

Water Service Charges

A.	Base Facilities Charge	
	5/8" meter	\$25.38 / mo.
	3/4" meter	\$38.07 / mo.
	1" meter	\$63.45 / mo.
	1 1/2" meter	\$126.90 / mo.
	2" meter	\$203.04 / mo.
	3" meter	\$444.14 / mo.
	4" meter	\$1,274.65 / mo.
	Base Facilities Charge for water service with meters larger than 4" shall be: <u>Maximum recommended meter capacity (gpm) x \$25.38 per mo.</u> 20 gpm	
B.	Consumption Charge	
	All up to 50,000 gals./mo.	\$2.98 /1000 gal.
C.	Excess Consumption Charge	\$3.21 /1000 gal.
	All over 50,000 gal./mo.	

Tap-In Fees

5/8" meter	\$500.00
3/4" meter	\$750.00
1" meter	\$1,250.00
1 1/2" meter	\$2,500.00
2" meter	\$4,000.00
3" meter	\$8,750.00

Water tap-in fee where the water meter is larger than 3" shall be:
Maximum recommended meter capacity (gpm) x \$500.00
20 gpm

RATE SCHEDULE NO. 5 FIRE HYDRANT SERVICE

- AVAILABILITY** - Available within the Company's service area.
APPLICABILITY - Applicable to fire hydrants connected to Company water mains.

Water Service Charges

\$100 per hydrant per year payable semiannually in advance for fire fighting service.

When temporary water service from a hydrant is requested by a contractor or others, a meter will be installed and the charge will be:

\$8.00 for each day of use, PLUS \$3.38/1000 gals for ALL water used, PLUS a \$50 security deposit.

RATE SCHEDULE NO. 6 GOLF COURSE IRRIGATION

- AVAILABILITY** - Available within the Company's service area.
APPLICABILITY - Applicable for golf course irrigation where the customer agrees to take as a minimum quantity the treated effluent from the wastewater treatment plant.

Water Service Charges

A.	Effluent water will be billed at a rate of:	
	Base Facilities Charge per Golf Course	\$3,762.97 / mo.
	Consumption	\$0.17 /1000 gal.
B.	Deep well water will be billed at a rate of:	
	Base Facilities Charge per Golf Course	\$788.58 / mo.
	Consumption	\$0.20 /1000 gal.
C.	Potable water will be billed at a rate of:	
	Base Facilities Charge per Golf Course	\$603.45 / mo.
	Consumption	\$3.21 /1000 gal.

RATE SCHEDULE NO. 7 FIRE LINE SERVICE

- AVAILABILITY** - Available within the Company's service area.
APPLICABILITY - Applicable for private fire lines.

Water Service Charges

Base Facilities Charge	
2" Line	\$6.00 / mo.
3" Line	\$11.00 / mo.
4" Line	\$19.00 / mo.
6" Line	\$38.00 / mo.

Tap-In Fees

2" Line	\$4,000.00
3" Line	\$8,750.00
4" Line	\$25,000.00

Water tap-in fee where the service is larger than 3" shall be based on the tap-in fee schedule as listed in the Commercial Service Schedule No. 2.

**CHARGES FOR SERVICE DISCONTINUANCE, RECONNECTION
AND OTHER MISCELLANEOUS SERVICE CHARGES**

1. When a customer requests discontinuance of service for reasons other than major repair, maintenance, or construction at the service address or for the transfer of possession or ownership of the service address, the Company may charge the equivalent of three months of basic facilities charges for both water and sewer service and require payment of such charges when for any reason service is restored to that particular customer.
2. Temporary discontinuance of service for such purposes as maintenance or construction will be made and the Company may charge the customer the actual cost plus 25%.
3. Whenever service is disconnected for violation of rules and regulations, nonpayment of bills or fraudulent use of service, the Company may make a charge of \$25.00 for water and \$100.00 for sewer before service is restored.
4. Whenever service has been disconnected for reasons other than set forth in (3) above, the Company shall have the right to charge a \$25.00 reconnection fee to restore service.
5. Delinquent Notification Fee - \$10.00. A fee of \$10.00 shall be charged each customer to whom the Company mails a notice of discontinuance of service as required by the Commission rules prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.
6. Customer Account Charge - \$25.00. One-time fee charged to each new account to defray costs of initiating service.
7. Return Check Charge (NSF) - \$20.00.
8. Backflow Monitoring - \$0.20 per month. A fee of \$0.20 per month shall be charged each customer to reimburse the Company for Backflow Monitoring required by DHEC regulations.
9. DHEC Charge. If the South Carolina Department of Health & Environmental Control charges the Company an assessment based on customer units served by the Company, the Company may bill its customers for the applicable unit cost of that assessment. The charge shall be identified as a separate billed item and included in the total of the service billing.

PURCHASED WATER ADJUSTMENT

Kiawah Island Utility, Inc. ("Company") purchases its potable water from the St. John's Water Company ("St. John's"), which in turn purchases the water from the Commissioners of Public Works of the City of Charleston ("CPW"). Whenever CPW increases the price of water sold to St. John's, the increase in price is passed through to the Company pursuant to the water purchase agreement between the Company and St. John's.

The water purchase agreement also provides, as part of the purchased water price, a pro-rata share of St. John's annual operation and maintenance costs to be charged to the Company. Therefore, the Company's revenue requirement for purchased water is made up of the water unit price per thousand gallons and the operation and maintenance costs charged by St. John's.

Accordingly, whenever there is a price adjustment for the purchase of potable water to Kiawah Island Utility, Inc. by the St. John's Water Company, the following billing adjustment shall be made by the Company to its customer rates:

1. Billing Adjustment

In the event that St. John's adjusts (whether an increase or decrease) the unit price per 1,000 gallons and/or the operation and maintenance charges related to the purchase of potable water, the following billing adjustment practice would apply:

- (a) If the unit price is adjusted the cost change per 1,000 gallons would be passed through to the customers as an adjustment in like amount to the consumption charge on their water bill.

Example: The unit price of purchased water is increased by two cents per 1,000 gallons. The consumption charge on the customer's bill would reflect a two cent per 1,000 gallon increase.

- (b) If the pro-rata operation and maintenance charge is adjusted the cost change per 1,000 gallons (based on the most recent 12 months of potable water billed) would be passed through to the customers as an adjustment to the consumption charge on their water bill.

Example: The annual operation and maintenance charge is increased by \$18,000 and the most recent 12 months of potable water billed is 900,000 thousand gallons. The consumption charge on the customers bill would reflect a two cent per 1,000 gallon increase.

2. Notification

Any special billing adjustment shall not be billed until the following conditions are met:

- (a) The Company shall furnish the South Carolina Public Service Commission satisfactory proof of the basis for the adjustment and the billing method to be utilized at least sixty (60) days prior to its proposed effective date.
- (b) The Company shall furnish thirty (30) days prior written notice to the customers affected by the Purchased Water Adjustment advising them of the basis for the billing adjustment and its effective date.

APPENDIX B

KIAWAH ISLAND UTILITY, INC.

Schedule of Proposed Rates and Charges

KIAWAH ISLAND UTILITY, INC.
31 Sora Rail Road
Johns Island, S.C. 29455
(843) 768-0641

APPENDIX A

Proposed Schedule of Rates and Charges

RATE SCHEDULE NO. 1 RESIDENTIAL SERVICE

AVAILABILITY - Available within the Company's service area.
APPLICABILITY - Applicable to any residential customer for any purpose.

Water Service Charges

A.	Base Facilities Charge	
	5/8" meter	\$32.90 / mo.
	3/4" meter	\$49.36 / mo.
	1" meter	\$82.26 / mo.
	1 1/2" meter	\$164.52 / mo.
	2" meter	\$263.24 / mo.
	3" meter	\$575.82 / mo.
	4" meter	\$1,652.56 / mo.

Base Facilities Charge for water service with meters larger than 4" shall be:
Maximum recommended meter capacity (gpm) x \$32.90 per mo.
20 gpm

B.	Consumption Charge	
	All up to 11,000 gals./mo.	\$3.37 /1000 gal.
C.	Excess Consumption Charge #1	\$3.87 /1000 gal.
	All over 11,000 gal./mo. and up to 50,000 gal./ mo.	
D.	Excess Consumption Charge #1	\$4.17 /1000 gal.
	All over 50,000 gal./mo.	

Sewer Service Charges

A.	Base Facilities Charge	
	5/8" water meter	\$25.84 / mo.
	3/4" water meter	\$38.77 / mo.
	1" water meter	\$64.61 / mo.
	1 1/2" water meter	\$129.21 / mo.
	2" water meter	\$206.74 / mo.
	3" water meter	\$452.25 / mo.
	4" water meter	\$1,398.23 / mo.

Base Facilities Charge for sewer service where water service is through meters larger than 4" shall be:
Maximum recommended meter capacity (gpm) x \$25.84 per mo.
20 gpm

B.	Consumption Charge based on Water Usage	
	All up to 11,000 gals./mo.	\$0.67 /1000 gal.

Tap-In Fees

Water Tap-In Fee	\$500.00
Sewer Tap-In Fee	\$500.00

The tap-in fee provides for installation of the normal size residential meter of 5/8" by 3/4".

Where the customer requests a larger meter, the Company will apply the tap-in schedule for larger meters as listed in the Commercial Service Schedule No. 2.

(1)

RATE SCHEDULE NO. 2 COMMERCIAL SERVICE

- AVAILABILITY** - Available within the Company's service area.
APPLICABILITY - Applicable to any commercial or master metered residential customer for any purpose except hotel or motel use (see Rate Schedule No. 3).

Water Service Charges

A.	Base Facilities Charge	
	5/8" meter	\$32.90 / mo.
	3/4" meter	\$49.36 / mo.
	1" meter	\$82.26 / mo.
	1 1/2" meter	\$164.52 / mo.
	2" meter	\$263.24 / mo.
	3" meter	\$575.82 / mo.
	4" meter	\$1,652.56 / mo.

Base Facilities Charge for water service with meters larger than 4" shall be:
Maximum recommended meter capacity (gpm) x \$32.90 per mo.
 20 gpm

B.	Consumption Charge	\$4.17 /1000 gal. for all consumption
----	--------------------	--

Sewer Service Charges

A.	Base Facilities Charge	
	5/8" water meter	\$25.84 / mo.
	3/4" water meter	\$38.77 / mo.
	1" water meter	\$64.61 / mo.
	1 1/2" water meter	\$129.21 / mo.
	2" water meter	\$206.74 / mo.
	3" water meter	\$452.25 / mo.
	4" water meter	\$1,398.23 / mo.

Base Facilities Charge for sewer service where water service is through meters larger than 4" shall be:
Maximum recommended meter capacity (gpm) x \$25.84 per mo.
 20 gpm

B.	Consumption Charge based on Water Usage	\$2.59 /1000 gal. for all consumption
----	---	--

Tap-In Fees

	<u>Water Tap-In Fee</u>	<u>Sewer Tap-In Fee</u>
5/8" meter	\$500.00	\$500.00
3/4" meter	\$750.00	\$750.00
1" meter	\$1,250.00	\$1,250.00
1 1/2" meter	\$2,500.00	\$2,500.00
2" meter	\$4,000.00	\$4,000.00
3" meter	\$8,750.00	\$8,750.00

Water tap-in fee and sewer tap-in fee for water and sewer service where the water meter is larger than 3" shall be:
Maximum recommended meter capacity (gpm) x \$500.00
 20 gpm

RATE SCHEDULE NO. 3 HOTEL AND MOTEL SERVICE

- AVAILABILITY** - Available within the Company's service area.
APPLICABILITY - Applicable to all hotel and motel customers for any purpose.

Water Service Charges

Base Facilities Charge	\$13.22 /mo./room
All Consumption	\$4.17 /1000 gal.

Sewer Service Charges

Base Facilities Charge	\$10.33 /mo./room
All Consumption	\$2.59 /1000 gal.

Tap-In Fees

Water Tap-In Fee	\$220.00 /room
Sewer Tap-In Fee	\$220.00 /room

RATE SCHEDULE NO. 4 IRRIGATION SERVICE

- AVAILABILITY** - Available within the Company's service area. The Company reserves the right to limit or reduce the irrigation service available when, in its sole judgment, its water system conditions require such restrictions.
- APPLICABILITY** - Applicable only to customers who anticipate substantial potable water use which will not be returned to the Company's wastewater treatment system such as irrigation. Such water consumption shall be metered separately from any water use supplied under other rate schedules.

Water Service Charges

A.	Base Facilities Charge	
	5/8" meter	\$32.90 / mo.
	3/4" meter	\$49.36 / mo.
	1" meter	\$82.26 / mo.
	1 1/2" meter	\$164.52 / mo.
	2" meter	\$263.24 / mo.
	3" meter	\$575.82 / mo.
	4" meter	\$1,652.56 / mo.

Base Facilities Charge for water service with meters larger than 4" shall be:
$$\frac{\text{Maximum recommended meter capacity (gpm)} \times \$32.90 \text{ per mo.}}{20 \text{ gpm}}$$

B.	Consumption Charge	
	All up to 50,000 gals./mo.	\$3.87 /1000 gal.
C.	Excess Consumption Charge	\$4.17 /1000 gal.
	All over 50,000 gal./mo.	

Tap-In Fees

5/8" meter	\$500.00
3/4" meter	\$750.00
1" meter	\$1,250.00
1 1/2" meter	\$2,500.00
2" meter	\$4,000.00
3" meter	\$8,750.00

Water tap-in fee where the water meter is larger than 3" shall be:
$$\frac{\text{Maximum recommended meter capacity (gpm)} \times \$500.00}{20 \text{ gpm}}$$

RATE SCHEDULE NO. 5 FIRE HYDRANT SERVICE

- AVAILABILITY** - Available within the Company's service area.
APPLICABILITY - Applicable to fire hydrants connected to Company water mains.

Water Service Charges

\$130 per hydrant per year payable semiannually in advance for fire fighting service.

When temporary water service from a hydrant is requested by a contractor or others, a meter will be installed and the charge will be:

\$8.00 for each day of use, PLUS \$4.17/1000 gals for ALL water used, PLUS a \$50 security deposit.

RATE SCHEDULE NO. 6 GOLF COURSE IRRIGATION

- AVAILABILITY** - Available within the Company's service area.
APPLICABILITY - Applicable for golf course irrigation where the customer agrees to take as a minimum quantity the treated effluent from the wastewater treatment plant.

Water Service Charges

- | | | |
|----|--|-------------------|
| A. | Effluent water will be billed at a rate of: | |
| | Base Facilities Charge per Golf Course | \$4,291.01 / mo. |
| | Consumption | \$0.19 /1000 gal. |
| B. | Deep well water will be billed at a rate of: | |
| | Base Facilities Charge per Golf Course | \$1,022.38 / mo. |
| | Consumption | \$0.26 /1000 gal. |
| C. | Potable water will be billed at a rate of: | |
| | Base Facilities Charge per Golf Course | \$782.36 / mo. |
| | Consumption | \$4.17 /1000 gal. |

RATE SCHEDULE NO. 7 FIRE LINE SERVICE

- AVAILABILITY** - Available within the Company's service area.
APPLICABILITY - Applicable for private fire lines.

Water Service Charges

Base Facilities Charge	
2" Line	\$7.80 / mo.
3" Line	\$14.30 / mo.
4" Line	\$24.60 / mo.
6" Line	\$49.30 / mo.

Tap-In Fees

2" Line	\$4,000.00
3" Line	\$8,750.00
4" Line	\$25,000.00

Water tap-in fee where the service is larger than 3" shall be based on the tap-in fee schedule as listed in the Commercial Service Schedule No. 2.

**CHARGES FOR SERVICE DISCONTINUANCE, RECONNECTION
AND OTHER MISCELLANEOUS SERVICE CHARGES**

1. When a customer requests discontinuance of service for reasons other than major repair, maintenance, or construction at the service address or for the transfer of possession or ownership of the service address, the Company may charge the equivalent of three months of basic facilities charges for both water and sewer service and require payment of such charges when for any reason service is restored to that particular customer.
2. Reimbursement of cost to make repairs to services or meters caused by others will be charged at actual cost plus 25%.
3. Whenever service is disconnected for violation of rules and regulations, nonpayment of bills or fraudulent use of service, the Company may make a charge of \$50.00
4. Whenever service has been disconnected for reasons other than set forth in (3) above, the Company shall have the right to charge a \$25.00 reconnection fee to restore service.
5. Delinquent Notification Fee - \$10.00. A fee of \$10.00 shall be charged each customer to whom the Company mails a notice of discontinuance of service as required by the Commission rules prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.
6. Customer Account Charge - \$25.00. One-time fee charged to each new account to defray costs of initiating service.
7. Return Check Charge (NSF) - \$25.00
8. DHEC Charge. If the South Carolina Department of Health & Environmental Control charges the Company an assessment based on customer units served by the Company, the Company may bill its customers for the applicable unit cost of that assessment. The charge shall be identified as a separate billed item and included in the total of the service billing.

PURCHASED WATER ADJUSTMENT

Kiawah Island Utility, Inc. ("Company") purchases its potable water from the St. John's Water Company ("St. John's"), which in turn purchases the water from the Commissioners of Public Works of the City of Charleston ("CPW"). Whenever CPW increases the price of water sold to St. John's, the increase in price is passed through to the Company pursuant to the water purchase agreement between the Company and St. John's.

The water purchase agreement also provides, as part of the purchased water price, a pro-rata share of St. John's annual operation and maintenance costs to be charged to the Company. Therefore, the Company's revenue requirement for purchased water is made up of the water unit price per thousand gallons and the operation and maintenance costs charged by St. John's.

Accordingly, whenever there is a price adjustment for the purchase of potable water to Kiawah Island Utility, Inc. by the St. John's Water Company, the following billing adjustment shall be made by the Company to its customer rates:

1. Billing Adjustment

In the event that St. John's adjusts (whether an increase or decrease) the unit price per 1,000 gallons and/or the operation and maintenance charges related to the purchase of potable water, the following billing adjustment practice would apply:

- (a) If the unit price is adjusted the cost change per 1,000 gallons would be passed through to the customers as an adjustment in like amount to the consumption charge on their water bill.

Example: The unit price of purchased water is increased by two cents per 1,000 gallons. The consumption charge on the customer's bill would reflect a two cent per 1,000 gallon increase.

- (b) If the pro-rata operation and maintenance charge is adjusted the cost change per 1,000 gallons (based on the most recent 12 months of potable water billed) would be passed through to the customers as an adjustment to the consumption charge on their water bill.

Example: The annual operation and maintenance charge is increased by \$18,000 and the most recent 12 months of potable water billed is 900,000 thousand gallons. The consumption charge on the customers bill would reflect a two cent per 1,000 gallon increase.

2. Notification

Any special billing adjustment shall not be billed until the following conditions are met:

- (a) The Company shall furnish the South Carolina Public Service Commission satisfactory proof of the basis for the adjustment and the billing method to be utilized at least sixty (60) days prior to its proposed effective date.
- (b) The Company shall furnish thirty (30) days prior written notice to the customers affected by the Purchased Water Adjustment advising them of the basis for the billing adjustment and its effective date.

APPENDIX C

KIAWAH ISLAND UTILITY, INC.

Present and Expected Customers

Kiawah Island Utilities, Inc.
Water & Sewer Operations
Customer Growth

	Water			Sewer		
	2007	2008	2009	2010	2009	Pro Forma
Average Customers						
Residential customers	3,183	3,235	3,264	3,293	3,114	3,166
Increase		52	29	29	45	34
Comm customers	89	93	93	92	58	61
Increase		4	0	-1	0	0
Golf Course & Hotel	2	2	2	2	1	1
Increase		0	0	0	0	0
Irrigation	251	266	276	283		
Increase		15	10	7		
Fire line	8	12	15	19		
Increase		4	3	4		
Total	3,533	3,608	3,650	3,688	3,173	3,228
Increase		75	42	38	45	55
					3,309	3,334
					36	25
Year-End Services						
Residential service	3,236	3,284	3,312	3,346	3,028	3,079
Comm & Hotel serv	97	97	97	97	62	62
Other	294	310	326	337	0	0
Total	3,627	3,691	3,735	3,780	3,090	3,141
Increase		64	44	45	54	51
					3,228	3,256
					33	28
Services active	3,627	3,691	3,735	3,780	3,075	3,141
Inactive	263	219	208	195	676	625
Total	3,890	3,910	3,943	3,975	3,751	3,766
Increase		20	33	32	29	15

APPENDIX D

KIAWAH ISLAND UTILITY, INC.

Tap Fee calculation

Kiawah Island Utilities, Inc.
Water & Sewer Operations
Test Year Tap Fees

	<u>WATER</u>	<u>SEWER</u>
Tap Fee Revenues	<u>\$ 26,750</u>	<u>\$ 20,500</u>
Offsetting Expense		
A. Labor (Avg Cost / Hr)	\$ 20.66	\$ 20.66
Avg Hours	4.00	4.00
Avg Labor Cost	\$ 82.65	\$ 82.65
Events @ \$500 each	53.5	41.0
Total Labor (Acct 601)	<u>\$ 4,422</u>	<u>\$ 3,389</u>
B. Vehicle Use Cost	\$ 50.00	\$ 50.00
Events @ \$500 each	53.5	41.0
Vehicle Fuel & Oil (Acct 650)	<u>\$ 2,675</u>	<u>\$ 2,050</u>
C. Outside Services		
Excavation (Acct 775)		\$ 13,744
D. Materials & Supplies	\$ 19,653	
Meters (Acct 620)		
E. Maint-Sewer		
Service Laterals (Acct 720)		\$ 1,317
Tap Fee Expenses	<u>\$ 26,750</u>	<u>\$ 20,500</u>

APPENDIX E

KIAWAH ISLAND UTILITY, INC.

DHEC Approval Letter



C. Earl Hunter, Commissioner

Promoting and protecting the health of the public and the environment

March 15, 2011

Ms. Becky Dennis
Kiawah Island Utility, Inc.
31 Sora Rail Road
Johns Island, SC 29455

Re: Kiawah Island Drinking Water and Wastewater Systems
Water System #1010008
Wastewater System #ND0017361

Dear Ms. Dennis:

The drinking water and wastewater systems referenced above are currently in compliance with applicable South Carolina Department of Health and Environmental Control Regulations.

If you should have any questions, please call me at 843-953-0182 or email me at Wilkinvh@dhec.sc.gov.

Sincerely,

V. Harvey Wilkins, PE
Region 7- Charleston EQC Office

cc: Greg Sams, Region 7- Charleston EQC Office
Ashley Auerbach, Region 7 – Charleston EQC Office

SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL

Region 7

Serving Berkeley, Charleston and Dorchester Counties

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APPENDIX F

KIAWAH ISLAND UTILITY, INC.

Customer Billing Form



31 Sora Rail Road, Kiawah Island
Johns Island, SC 29455-5648

Rate Schedules Furnished on Request

Account Number _____
Cycle _____

Service address _____
KRA EXECUTIVE OFFICES

KIAWAH RESORT ASSOCIATES
ACCOUNTS PAYABLE, TRAILER #7
7 BEACHWALKER DR
KIAWAH ISLAND, SC
29455

Call 843-768-0641 For Customer Service
Fax 843-768-1816

<u>Meter Number</u>	<u>Meter Reading</u>	<u>Units Used</u>	<u>Unit of Measure</u>	<u>Billing period</u>	<u>Days</u>
35534080	2828 to 2834	6	1000 Gallons	Apr 04 - May 02	28
<u>Statement date</u> 5/04/2011	PREVIOUS BALANCE 86.71				
<u>Date Meter Read</u> 5/02/2011	PAST DUE CHARGES 86.71				
<u>Rate Codes</u> Commercial	CURRENT CHARGES				
	WATER FEE 44.64				
	SEWER FEE 36.28				
	MAY DHEC FEE .24				
	MAY BACKFLOW .07				
	LATE FEE 1.30				
<u>Meter Size</u> 5/8"	CURRENT CHARGES DUE 82.53				
	TOTAL AMOUNT DUE 169.24				

Late Charge Reminder: A 1.5% additional charge will apply to any unpaid balance after the due date.

VISIT OUR WEBSITE: KIAWAHISLANDUTILITY.COM FOR FORMS AND
OTHER HELPFUL INFORMATION

Retain this portion for your records

Please detach this portion and return with your payment

YOUR ACCOUNT IS PAST DUE

Account Number _____
Payment Due Date _____

KIAWAH RESORT ASSOCIATES

Amount Due 169.24
ENTER AMOUNT PAID _____



☐ Check this box & make changes to address or phone number below:
Name _____
Address _____
City _____ State _____ Zip _____
Phone # _____

Please make check payable to:

Kiawah Island Utility, Inc.
31 Sora Rail Road, Kiawah Island
Johns Island, SC 29455-5648



APPENDIX G

KIAWAH ISLAND UTILITY, INC.

Total Plant Investments

UTILITY PLANT-IN-SERVICE - WATER

Line No.	Account Number and Title (a)	Current Year-End Balance (f)
1	.1 INTANGIBLE PLANT	
3	302.1 Franchises - Water Rights	1,921,989
4	339.1 Other Plant and Miscellaneous Equipment	274,810
5	Total Intangible Plant	2,196,799
6	.2 SOURCE OF SUPPLY AND PUMPING PLANT	
7	303.2 Land and Land Rights	3,468,252
8	304.2 Structures and Improvements	2,717,774
11	307.2 Wells and Springs	34,338
15	311.2 Pumping Equipment	938,415
17	Total Source of Supply and Pumping Plant	7,158,779
25	.4 TRANSMISSION AND DISTRIBUTION PLANT	
29	330.4 Distribution Reservoirs and Standpipes	1,239,939
30	331.4 Transmission and Distribution Mains	2,231,482
32	334.4 Meters and Meter Installations	100,537
33	335.4 Hydrants	229,333
35	339.4 Other Plant and Miscellaneous Equipment	410,751
36	Total Transmission and Distribution Plant	4,212,042
37	.5 GENERAL PLANT	
40	340.5 Office Furniture and Equipment	121,001
41	341.5 Transportation Equipment	111,806
49	Total General Plant	232,807
50	101 TOTAL UTILITY PLANT-IN-SERVICE	13,800,427

UTILITY PLANT-IN-SERVICE - WASTEWATER

Line No.	Account Number and Title (a)	Current Year-End Balance (f)
1	.1 INTANGIBLE PLANT	
4	389.1 Other Plant and Miscellaneous Equipment	357,688
5	Total Intangible Plant	357,688
6	.2 COLLECTION PLANT	
10	360.2 Collection Sewers - Force	1,980,583
11	361.2 Collection Sewers - Gravity	1,980,583
17	Total Collection Plant	3,961,166
18	.3 SYSTEM PUMPING PLANT	
20	354.3 Structures and Improvements	116,973
25	Total System Pumping Plant	116,973
26	.4 TREATMENT AND DISPOSAL PLANT	
28	354.4 Structures and Improvements	2,922,780
29	355.4 Power Generation Equipment	30,527
33	389.4 Other Plant and Miscellaneous Equipment	28,179
34	Total Treatment and Disposal Plant	2,981,486
1	.6 RECLAIMED WATER DISTRIBUTION PLANT	
3	353.6 Land and Land Rights	1,826,175
11	Total Reclaimed Water Distribution Plant	1,826,175
12	.7 GENERAL PLANT	
15	390.7 Office Furniture and Equipment	113,639
16	391.7 Transportation Equipment	119,106
24	Total General Plant	232,745
25	101 TOTAL UTILITY PLANT-IN-SERVICE	9,476,233